

KEWAUNEE SCIENTIFIC CORP /DE/

Form 10-K

July 21, 2017

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended April 30, 2017 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 0-5286

**KEWAUNEE SCIENTIFIC CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
2700 West Front Street

**38-0715562**  
(IRS Employer  
Identification No.)

**Statesville, North Carolina**  
(Address of principal executive offices)  
28677-2927  
(Zip Code)  
Registrant's telephone number, including area code: (704) 873-7202

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Exchange on which registered</b>
<b>Common Stock \$2.50 par value</b>	<b>NASDAQ Global Market</b>

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth 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)

Emerging growth company

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

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

The aggregate market value of shares of voting stock held by non-affiliates of the registrant was approximately \$49,757,484 based on the last reported sale price of the registrant's Common Stock on October 31, 2016, the last business day of the registrant's most recently completed second fiscal quarter. Only shares beneficially owned by directors of the registrant (excluding shares subject to options) and each person owning more than 10% of the outstanding Common Stock of the registrant were excluded in that such persons may be deemed to be affiliates. This

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determination of affiliate status is not necessarily a conclusive determination for other purposes. As of July 12, 2017, the registrant had outstanding 2,712,797 shares of Common Stock.

**DOCUMENTS INCORPORATED BY REFERENCE:** Those portions of the Company's proxy statement for use in connection with Kewaunee Scientific Corporation's annual meeting of stockholders to be held on August 30, 2017, indicated in this report are incorporated by reference into Part III hereof.

**Table of Contents**

<u>Table of Contents</u>		<b>Page or Reference</b>
<u>PART I</u>		
<u>Item 1.</u>	<u>Business</u>	3
<u>Item 1A.</u>	<u>Risk Factors</u>	4
<u>Item 2.</u>	<u>Properties</u>	6
<u>Item 3.</u>	<u>Legal Proceedings</u>	6
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	6
<u>PART II</u>		
<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	7
<u>Item 6.</u>	<u>Selected Financial Data</u>	8
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	15
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	16
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	39
<u>Item 9A.</u>	<u>Controls and Procedures</u>	39
<u>Item 9B.</u>	<u>Other Information</u>	40
<u>PART III</u>		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	41
<u>Item 11.</u>	<u>Executive Compensation</u>	42
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	42
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	43
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	43
<u>PART IV</u>		
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	44
<u>SIGNATURES</u>		45
<u>EXHIBIT INDEX</u>		46

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**Table of Contents**

PART I

**Item 1. Business**

**GENERAL**

Kewaunee Scientific Corporation was founded in 1906, incorporated in Michigan in 1941, became publicly-held in 1968, and was reincorporated in Delaware in 1970. Our principal business is the design, manufacture, and installation of laboratory, healthcare, and technical furniture products. Our products include steel, wood, and laminate furniture, fume hoods, biological safety cabinets, laminar flow and ductless hoods, adaptable modular and column systems, moveable workstations and carts, epoxy resin worksurfaces, sinks, and accessories and related design services.

Our products are sold primarily through purchase orders and contracts submitted by customers through our dealers and commissioned agents and a national distributor, as well as through competitive bids submitted by us and our subsidiaries in Singapore, India and China. Products are sold principally to pharmaceutical, biotechnology, industrial, chemical and commercial research laboratories, educational institutions, healthcare institutions, governmental entities, and manufacturing facilities. We consider the markets in which we compete to be highly competitive, with a significant amount of the business involving competitive public bidding.

It is common in the laboratory and healthcare furniture industries for customer orders to require delivery at extended future dates, as products are frequently to be installed in buildings yet to be constructed. Changes or delays in building construction may cause delays in delivery of the orders and our recognition of the sale. Since prices are normally quoted on a firm basis in the industry, we bear the burden of possible increases in labor and material costs between quotation of an order and delivery of the product. The impact of such possible increases is considered when determining the sales price. The principal raw materials and products manufactured by others and used by us in our products are cold-rolled carbon and stainless steel, hardwood lumber and plywood, paint, chemicals, resins, hardware, plumbing and electrical fittings. Such materials and products are purchased from multiple suppliers and are typically readily available.

Our need for working capital and our credit practices are comparable to those of other companies manufacturing, selling and installing similar products in similar markets. Since our products are used in building construction projects, in many cases payments for our products are received over longer periods of time than payments for many other types of manufactured products, thus requiring increased working capital. In addition, payment terms associated with certain projects provide for a retention amount until final completion of the project, thus also increasing required working capital. On average, payments for our products are received during the quarter following shipment, with the exception of the retention amounts which are collected at the final completion of the project.

We hold various patents and patent rights, but do not consider that our success or growth is dependent upon our patents or patent rights. Our business is not dependent upon licenses, franchises, concessions, trademarks, royalty agreements, or labor contracts.

Our business is not generally cyclical, although domestic sales are sometimes lower during our third quarter because of slower construction activity in certain areas of the country during the winter months. Sales for three of the Company's domestic dealers represented in the aggregate approximately 38%, 40%, and 36% of the Company's sales in fiscal years 2017, 2016, and 2015, respectively. Loss of all or part of our sales to a large customer would have a material effect on our revenues and profits.

Our order backlog at April 30, 2017 was \$113.5 million, as compared to \$100.5 million at April 30, 2016 and \$90.1 million at April 30, 2015. Based on scheduled shipment dates and past experience, we estimate that more than 80% of our order backlog at April 30, 2017 will be shipped during fiscal year 2018. However, it may reasonably be expected that delays in shipments will occur because of customer rescheduling or delay in completion of projects which involve the installation of our products.

**SEGMENT INFORMATION**

See Note 9 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for information concerning our Domestic and International business segments.

## **Table of Contents**

### **COMPETITION**

We consider the industries in which we compete to be highly competitive and believe that the principal competitive factors are price, product performance, and customer service. A significant portion of our business is based upon competitive public bidding.

### **RESEARCH AND DEVELOPMENT**

The amount spent and expensed by us during the fiscal year ended April 30, 2017 on research and development activities related to new or redesigned products was \$1,163,000. The amounts spent for similar purposes in the fiscal years ended April 30, 2016 and 2015 were \$1,167,000 and \$936,000, respectively.

### **ENVIRONMENTAL COMPLIANCE**

In the last three fiscal years, compliance with federal, state, or local provisions enacted or adopted regulating the discharge of materials into the environment has had no material effect on us. There is no material capital expenditure anticipated for such purposes, and accordingly, such regulation is not expected to have a material effect on our earnings or competitive position.

### **EMPLOYEES**

At April 30, 2017, the Company had the following number of full-time employees:

549 (Domestic); 196 (International).

### **OTHER INFORMATION**

Our Internet address is [www.kewaunee.com](http://www.kewaunee.com). We make available, free of charge through this web site, our annual report to stockholders. Our Form 10-K and 10-Q financial reports may be obtained by stockholders by writing the Secretary of the Company, Kewaunee Scientific Corporation, P.O. Box 1842, Statesville, NC 28687-1842. The public may also obtain information on our reports, proxy, and information statements at the SEC Internet site [www.sec.gov](http://www.sec.gov). The reference to our website does not constitute incorporation by reference of any information contained at that site.

### **SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Certain statements included and referenced in this report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that could significantly impact results or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, economic, competitive, governmental and technological factors affecting our operations, markets, products, services and prices, as well as prices for certain raw materials and energy. The cautionary statements made by us pursuant to the Reform Act herein and elsewhere should not be construed as exhaustive. We cannot always predict what factors would cause actual results to differ materially from those indicated by the forward-looking statements. In addition, readers are urged to consider statements that include the terms believes, belief, expects, plans, objectives, anticipates, intends or the like to be uncertain and forward-looking.

### **EXECUTIVE OFFICERS OF THE REGISTRANT**

Included in Part III, Item 10(b) of this Annual Report on Form 10-K.

### **Item 1A. Risk Factors**

You should carefully consider the following risks before you decide to buy shares of our common stock. If any of the following risks actually occur, our business, results of operations, or financial condition would likely suffer. In such case, the trading price of our common stock would decline, and you may lose all or part of the money you paid to buy our stock.

This and other public reports may contain forward-looking statements based on current expectations, assumptions, estimates and projections about us and our industry. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from

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those forward-looking statements as a result of many factors, including those more fully described below and elsewhere in our public reports. We do not undertake to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

## **Table of Contents**

### **Disruptions in the financial markets have created uncertainty and deteriorating economic conditions may adversely affect our customers and our business.**

The financial markets in the United States, Europe and Asia continue to be volatile. The tightening of credit in financial markets, continuation or worsening of the current economic conditions, a prolonged global, national or regional economic recession or other similar events could have a material adverse effect on the demand for our products and on our sales, pricing and profitability. We are unable to predict the likely occurrence or duration of these adverse economic conditions and the impact these events may have on our operations and the laboratory furniture industry in general.

### **If we fail to compete effectively, our revenue and profit margins could decline.**

We face a variety of competition in all of the markets in which we participate. Competitive pricing, including price competition or the introduction of new products, could have material adverse effects on our revenues and profit margins.

Our ability to compete effectively depends to a significant extent on the specification or approval of our products by architects, engineers, and customers. If a significant segment of those communities were to decide that the design, materials, manufacturing, testing, or quality control of our products is inferior to that of any of our competitors, our sales and profits would be materially and adversely affected.

### **If we lose a large customer, our sales and profits would decline.**

We have substantial sales to three of our domestic dealers. The combined sales to these three dealers accounted for approximately 38% of our sales in fiscal year 2017. Loss of all or a part of our sales to a large customer would have a material effect on our revenues and profits.

### **An increase in the price of raw materials and energy could negatively affect our sales and profits.**

It is common in the laboratory and healthcare furniture industries for customers to require delivery at extended future dates, as products are frequently to be installed in buildings yet to be constructed. Since prices are normally quoted on a firm basis in the industry, we bear the burden of possible increases in labor, material and energy costs between the quotation of an order and the delivery of the products. Our principal raw materials are steel, including stainless steel, wood and epoxy resin. Numerous factors beyond our control, such as general economic conditions, competition, worldwide demand, labor costs, energy costs, and import duties and other trade restrictions, influence prices for our raw materials. We have not always been able, and in the future we might not be able, to increase our product prices in amounts that correspond to increases in costs of raw materials, without materially and adversely affecting our sales and profits. Where we are not able to increase our prices, increases in our raw material costs will adversely affect our profitability.

### **Our future growth may depend on our ability to penetrate new international markets.**

International laws and regulations, construction customs, standards, techniques and methods differ from those in the United States. Significant challenges of conducting business in foreign countries include, among other factors, local acceptance of our products, political instability, currency controls, changes in import and export regulations, changes in tariff and freight rates and fluctuations in foreign exchange rates.

### **Events outside our control may affect our operating results.**

We have little control over the timing of shipping customer orders, as customers' required delivery dates are subject to change by the customer. Construction delays and customer changes to product designs are among the factors that may delay the start of manufacturing and shipments of orders. Shipments that we anticipate in one quarter may occur in another quarter, affecting both quarters' results. Weather conditions, such as unseasonably warm, cold, or wet weather, can also affect and sometimes delay projects. Political and economic events can also affect our revenues. When sales do not meet our expectations, our operating results will be reduced for the relevant quarters.

Our principal markets are in the laboratory building construction industry. This industry is subject to significant volatility due to various factors, none of which is within our control. Declines in construction activity or demand for our products could materially and adversely affect our business and financial condition.



## **Table of Contents**

### **We depend on key management and technical personnel, the loss of whom could harm our business.**

We depend on certain key management and technical personnel. The loss of one or more key employees may materially and adversely affect us. Our success also depends on our ability to attract and retain additional highly qualified technical, marketing, and management personnel necessary for the maintenance and expansion of our activities. We might not be able to attract or retain such personnel.

### **Our stock price is likely to be volatile and could drop.**

The trading price of our Common Stock could be subject to wide fluctuations in response to quarter-to-quarter variation in operating results, announcement of technological innovations or new products by us or our competitors, general conditions in the construction and construction materials industries, relatively low trading volume in our common stock and other events or factors. In addition, in recent years, the stock market has experienced extreme price fluctuations. This volatility has had a substantial effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of those companies. Securities market fluctuations may adversely affect the market price of our common stock.

### **The Patient Protection and Affordable Care Act may increase the cost of providing medical benefits to employees, which could have a significant adverse impact on our results of operations.**

We maintain a self-insured healthcare plan for our employees. We have insurance coverage in place for aggregate claims above a specified amount in any year. The Patient Protection and Affordable Care Act, and state legislation in the states in which we operate, may cause the cost of providing medical insurance to our employees to increase. To date, we have experienced increased costs related to the health care reform legislation.

### **We are subject to other risks that might also cause our actual results to vary materially from our forecasts, targets, or projections, including:**

Failing to anticipate the need for, appropriately invest in and effectively manage the human, information technology and logistical resources necessary to support our business, including managing the costs associated with such resources;

Failing to generate sufficient future positive operating cash flows and, if necessary, secure adequate external financing to fund our growth; and

Interruptions in service by common carriers that ship goods within our distribution channels.

### **Internal Controls Over Financial Reporting.**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **Item 2. Properties**

We own and operate three adjacent manufacturing facilities in Statesville, North Carolina. These facilities also house our corporate offices, as well as sales and marketing, administration, engineering and drafting personnel. These facilities together comprise 413,000 square feet and are located on 20 acres of land. In addition, we lease our primary distribution facility and other warehouse facilities totaling 361,000 square feet in Statesville, North Carolina. We lease sales offices in Naperville, Illinois; Branchburg, New Jersey; Newport, Delaware; Shanghai, China; and Singapore. In Bangalore, India we lease and operate a manufacturing facility comprising 55,000 square feet and a facility comprising 7,000 square feet that houses sales and administrative offices. We believe our facilities are suitable for their respective uses and are adequate for our current needs.

## **Item 3. Legal Proceedings**

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From time to time, we are involved in disputes and litigation relating to claims arising out of our operations in the ordinary course of business. Further, we are periodically subject to government audits and inspections. We believe that any such matters presently pending will not, individually or in the aggregate, have a material adverse effect on our results of operations or financial condition.

### **Item 4. Mine Safety Disclosures**

Not Applicable.

**Table of Contents**

## PART II

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the NASDAQ Global Market, under the symbol KEQU. The following table sets forth the quarterly high and low prices reported on the NASDAQ Global Market for our stock over the last two fiscal years.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2017</b>				
<b>High</b>	<b>\$ 20.89</b>	<b>\$ 26.83</b>	<b>\$ 27.60</b>	<b>\$ 25.50</b>
<b>Low</b>	<b>\$ 16.20</b>	<b>\$ 20.68</b>	<b>\$ 21.20</b>	<b>\$ 20.95</b>
<b>Close</b>	<b>\$ 20.25</b>	<b>\$ 22.36</b>	<b>\$ 25.20</b>	<b>\$ 22.90</b>
<b>2016</b>				
High	\$ 17.62	\$ 17.48	\$ 18.35	\$ 17.32
Low	\$ 15.50	\$ 16.23	\$ 15.82	\$ 16.10
Close	\$ 16.62	\$ 16.66	\$ 16.84	\$ 16.72

As of July 12, 2017, we estimate there were approximately 1,430 holders of our common shares, of which 145 were stockholders of record. We paid cash dividends per share of \$0.58, \$0.51, and \$0.47 for fiscal years 2017, 2016, and 2015, respectively. We expect to pay dividends in the future in line with our actual and anticipated future operating results.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

See Item 12 in this Form 10-K for a discussion of securities authorized for issuance under our equity compensation plans.

**Table of Contents****Item 6. Selected Financial Data**

The following tables set forth selected historical consolidated financial and other data for the periods indicated. The consolidated financial data should be read in conjunction with Item 8, Financial Statements and Supplementary Data, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

\$ and shares in thousands, except per share amounts	Years Ended April 30		
	2017	2016	2015
<b>OPERATING STATEMENT DATA:</b>			
Net sales	\$ 138,558	\$ 128,626	\$ 118,828
Costs of products sold	111,951	104,918	97,062
Gross profit	26,607	23,708	21,766
Operating expenses	20,065	18,010	16,540
Operating earnings	6,542	5,698	5,226
Other income, net	496	347	484
Interest expense	(292)	(306)	(325)
Earnings before income taxes	6,746	5,739	5,385
Income tax expense	2,126	1,862	1,745
Net earnings	4,620	3,877	3,640
Less: net earnings attributable to noncontrolling interest	105	75	111
Net earnings attributable to Kewaunee Scientific Corporation	\$ 4,515	\$ 3,802	\$ 3,529
Weighted average shares outstanding:			
Basic	2,705	2,667	2,626
Diluted	2,726	2,687	2,658
<b>PER SHARE DATA:</b>			
Net earnings attributable to Kewaunee Scientific Corporation Stockholders			
Basic	\$ 1.67	\$ 1.43	\$ 1.34
Diluted	\$ 1.66	\$ 1.42	\$ 1.33
Cash dividends	\$ 0.58	\$ 0.51	\$ 0.47
Year-end book value	\$ 16.14	\$ 14.24	\$ 13.28
<b>BALANCE SHEET DATA:</b>			
<b>\$ in thousands</b>			
<b>BALANCE SHEET DATA:</b>			
		As of April 30	
	2017	2016	2015
Current assets	\$ 59,812	\$ 50,957	\$ 48,762
Current liabilities	26,927	20,950	21,055
Net working capital	32,885	30,007	27,707
Net property, plant and equipment	14,027	14,118	14,523
Total assets	80,916	72,405	69,490
Total borrowings/long-term debt	6,940	7,588	9,147
Kewaunee Scientific Corporation Stockholders' equity	\$ 42,883	\$ 38,242	\$ 34,876
<b>OTHER DATA:</b>			
Capital expenditures	\$ 2,611	\$ 2,187	\$ 2,568
Year-end stockholders of record	154	153	162
Year-end full-time employees (Domestic)	549	487	470
Year-end full-time employees (International)	196	195	175



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**Table of Contents**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act). All statements other than statements of historical fact included in this Annual Report, including statements regarding the Company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as anticipate, estimate, expect, project, intend, plan, predict, believe and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to known and unknown risks, uncertainties, assumptions, and other important factors that could significantly impact results or achievements expressed or implied by such forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, competitive and general economic conditions, both domestically and internationally; changes in customer demands; technological changes in our operations or in our industry; dependence on customers' required delivery schedules; risks related to fluctuations in the Company's operating results from quarter to quarter; risks related to international operations, including foreign currency fluctuations; changes in the legal and regulatory environment; changes in raw materials and commodity costs; and acts of terrorism, war, governmental action, natural disasters and other Force Majeure events. The cautionary statements made pursuant to the Reform Act herein and elsewhere by us should not be construed as exhaustive. We cannot always predict what factors would cause actual results to differ materially from those indicated by the forward-looking statements. Over time, our actual results, performance, or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and harmful to our stockholders' interest. Many important factors that could cause such a difference are described under the caption Risk Factors, in Item 1A of this Annual Report, which you should review carefully.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

Kewaunee Scientific Corporation is a recognized leader in the design, manufacture and installation of laboratory, healthcare and technical furniture products. The Company's corporate headquarters are located in Statesville, North Carolina. Direct sales offices are located in the United States, India, Singapore, and China. Three manufacturing facilities are located in Statesville serving the domestic and international markets, and one manufacturing facility is located in Bangalore, India serving the local and Asian markets. The Company's China headquarters and sales office are located in Shanghai, China. Kewaunee Scientific Corporation's website is located at [www.kewaunee.com](http://www.kewaunee.com).

Our products are primarily sold through purchase orders and contracts submitted by customers through our dealers and commissioned agents, a national distributor, and through competitive bids submitted by us and our subsidiaries. Products are sold principally to pharmaceutical, biotechnology, industrial, chemical and commercial research laboratories, educational institutions, healthcare institutions, governmental entities, manufacturing facilities and users of networking furniture. We consider the markets in which we compete to be highly competitive, with a significant amount of the business involving competitive public bidding.

It is common in the laboratory and healthcare furniture industries for customer orders to require delivery at extended future dates, as products are frequently to be installed in buildings yet to be constructed. Changes or delays in building construction may cause delays in delivery of the orders and our recognition of the sale. Since prices are normally quoted on a firm basis in the industry, we bear the burden of possible increases in labor and material costs between quotation of an order and delivery of the product. The impact of such possible increases is considered when determining the sales price. The principal raw materials and products manufactured by others used in our products are cold-rolled carbon and stainless steel, hardwood lumbers and plywood, paint, chemicals, resins, hardware, plumbing and electrical fittings. Such materials and products are purchased from multiple suppliers and are typically readily available.

**CRITICAL ACCOUNTING POLICIES**

In the ordinary course of business, we have made estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of our consolidated financial statements in conformity with generally accepted accounting principles in the United States of America. Actual results could differ significantly from those estimates. We believe that the

## **Table of Contents**

following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations, and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

### **Revenue Recognition**

A portion of our product sales result from fixed-price construction contracts. In these instances, we are usually in the role of a subcontractor, but in some cases may enter into a contract directly with the end-user of the products. Our contract arrangements normally do not contain a general right of return relative to the delivered items. Sales resulting from fixed-price construction contracts are generated under multiple-element arrangements that require separate units of accounting and estimates regarding the fair value of individual elements. The Company has determined that its multiple-element arrangements that qualify as separate units of accounting are (1) product sales and (2) installation services. There is objective and reliable evidence of fair value for both the product sales and installation services, and allocation of arrangement consideration for each of these units is based on their relative fair values. Each of these elements represents individual units of accounting, as the delivered item has value to a customer on a stand-alone basis. The Company's products are regularly sold on a stand-alone basis to customers which provides vendor-specific objective evidence of fair value. The fair value of installation services is separately calculated using expected costs of installation services. Many times the value of installation services is calculated using price quotations from subcontractors to the Company, who perform installation services on a stand-alone basis. Assuming all other criteria for revenue recognition have been met, we recognize revenue for product sales at the date of shipment. Product sales resulting from purchase orders involve a purchase order received by us from our dealers or our stocking distributor. This category includes product sales for standard products, as well as products which require some customization. These sales are recognized under the terms of the purchase order which generally are freight on board ( FOB ) shipping point and do not include rights of return. Accordingly, these sales are recognized at the time of shipment.

### **Allowance for Doubtful Accounts**

Evaluation of the allowance for doubtful accounts involves management judgments and estimates. We evaluate the collectability of our trade accounts receivable based on a number of factors. In circumstances where management is aware of a customer's inability to meet its financial obligations to us, or a project dispute makes it unlikely that all of the receivable owed by a customer will be collected, a specific reserve for bad debts is estimated and recorded to reduce the recognized receivable to the estimated amount we believe will ultimately be collected. In addition to specific customer identification of potential bad debts, a general reserve for bad debts is estimated and recorded based on our recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

### **Inventories**

The majority of inventories are valued at the lower of cost or market under the last-in, first-out ( LIFO ) method. The LIFO method allocates the most recent costs to cost of products sold, and, therefore, recognizes into operating results fluctuations in raw materials and other inventory costs more quickly than other methods. Inventories at our international subsidiaries are measured on the first-in, first-out ( FIFO ) method.

### **Pension Benefits**

We sponsor pension plans covering all employees who met eligibility requirements as of April 30, 2005. These pension plans were amended as of April 30, 2005, no further benefits have been, or will be, earned under the plans subsequent to the amendment date, and no additional participants have been, or will be, added to the plans. Several statistical and other factors, which attempt to anticipate future events, are used in calculating the expense and liability related to the pension plans. These factors include assumptions about the discount rate used to calculate and determine benefit obligations and expected return on plan assets within certain guidelines. The actuarial assumptions used by us may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may significantly affect the amount of pension income or expense recorded by us in future periods.

### **Self-Insurance Reserves**

The Company's domestic operations are self-insured for workers compensation and health-care. The Company has purchased specific stop-loss insurance to limit claims above a certain amount. Estimated workers compensation losses were accrued during the fiscal year and are subject to retroactive loss adjustments. Estimated medical reserves were accrued for claims incurred but not

## **Table of Contents**

reported ( IBNR ) using assumptions based upon historical loss experiences. The Company's exposure reflected in the self-insurance reserves varies depending upon market conditions in the insurance industry, availability of cost-effective insurance coverage, and actual claims versus estimated future claims.

## **RESULTS OF OPERATIONS**

Sales for fiscal year 2017 were \$138.6 million, an increase of 8% from fiscal year 2016 sales of \$128.7 million. Domestic sales for fiscal year 2017 were \$113.1 million, an increase of 9.7% from fiscal year 2016 sales of \$103.0 million. The increase in domestic sales was attributable to increased activity across our dealer and distribution networks as well as with end-users. International sales for fiscal year 2017 were \$25.5 million, relatively unchanged from fiscal year 2016 sales of \$25.6 million.

Sales for fiscal year 2016 were \$128.7 million, an increase of 8% from fiscal year 2015 sales of \$118.8 million. Domestic sales for fiscal year 2016 were \$103.0 million, an increase of 11% from fiscal year 2015 sales of \$93.1 million. The increase in domestic sales was attributable to growth throughout the year from our dealers and distribution network. International sales for fiscal year 2016 were \$25.6 million, relatively unchanged from fiscal year 2015 sales of \$25.7 million.

Our order backlog was \$113.5 million at April 30, 2017, as compared to \$100.5 million at April 30, 2016 and \$90.1 million at April 30, 2015.

Gross profit represented 19.2%, 18.4% and 18.3% of sales in fiscal years 2017, 2016 and 2015, respectively. The increase in gross profit margin for fiscal year 2016 was primarily due to favorable operating leverage from higher volumes being produced and manufacturing productivity improvements.

Operating expenses were \$20.1 million, \$18.0 million and \$16.5 million in fiscal years 2017, 2016 and 2015, respectively, and 14.5%, 14.0% and 13.9% of sales, respectively. The increase in operating expense dollars in fiscal year 2017 as compared to fiscal year 2016 is related primarily to increases in wages and benefits of \$539,000, incentive compensation of \$362,000, pension expense of \$168,000, professional services of \$261,000, sales and marketing of \$297,000 and an increase of \$667,000 in operating expense for the Company's International operations, partially offset by decreases of bad debt expense of \$37,000 and \$678,000 of non-recurring expenses incurred in the prior fiscal year. The increase in operating expense dollars in fiscal year 2016 as compared to fiscal year 2015 resulted primarily from an increase in nonrecurring expenses of \$679,000 related to the retirement and replacement of a key executive and an increase of \$219,000 in incentive compensation, an increase of \$269,000 in pension expense, and an increase of \$276,000 in the operating expense of the Company's International operations.

Other income was \$496,000, \$347,000 and \$484,000 in fiscal years 2017, 2016 and 2015, respectively. The increase in other income in fiscal year 2017 was primarily due to an increase in interest income from cash on hand at the international subsidiaries. The decrease in other income in fiscal year 2016 was primarily due to a decrease in interest income earned from cash on hand at the international subsidiaries.

Interest expense was \$292,000, \$306,000 and \$325,000 in fiscal years 2017, 2016 and 2015, respectively. The decreases in interest expense for fiscal years 2017 and 2016 were primarily due to lower levels of bank borrowings.

Income tax expense was \$2,126,000, \$1,862,000 and \$1,745,000 in fiscal years 2017, 2016 and 2015, respectively, or 31.5%, 32.4% and 32.4% of pretax earnings, respectively. The effective tax rate for each of these years is lower than the statutory rate due to the favorable impact of tax rates for the Company's international subsidiaries and the impact of state and federal tax credits.

Net earnings attributable to the noncontrolling interest related to our subsidiaries that are not 100% owned by the Company were \$105,000, \$75,000 and \$111,000 for fiscal years 2017, 2016 and 2015, respectively. The changes in the net earnings attributable to the noncontrolling interest for each year were due to changes in the levels of net income of the subsidiaries.

Net earnings in fiscal year 2017 were \$4,515,000, or \$1.66 per diluted share. Net earnings in fiscal year 2016 were \$3,802,000, or \$1.42 per diluted share, and net earnings in fiscal year 2015 were \$3,529,000, or \$1.33 per diluted share.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our principal sources of liquidity have historically been funds generated from operating activities, supplemented as needed by borrowings under our revolving credit facility. Additionally, certain machinery and equipment are financed by non-cancelable operating leases. We believe that these sources of funds will be sufficient to support ongoing business requirements, including capital expenditures, through fiscal year 2018.





**Table of Contents**

At April 30, 2017, we had advances of \$3.5 million and standby letters of credit aggregating \$4.2 million outstanding under our unsecured \$20 million revolving credit facility. See Note 3 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for additional information concerning our credit facility. We did not have any off balance sheet arrangements at April 30, 2017.

The following table summarizes the cash payment obligations for our lease arrangements, long-term debt, and other non-current liabilities as of April 30, 2017:

## PAYMENTS DUE BY PERIOD

(\$ in thousands)

Contractual Obligations	Total	1 Year	2-3 Years	4-5 Years	After 5 years
Operating Leases	\$ 2,217	\$ 1,191	\$ 963	\$ 63	\$
Long-term Debt	3,349	918	2,431		
<b>Total Contractual Cash Obligations</b>	<b>\$ 5,566</b>	<b>\$ 2,109</b>	<b>\$ 3,394</b>	<b>\$ 63</b>	<b>\$</b>

Operating activities provided cash of \$11.7 million in fiscal year 2017, primarily from operating earnings, a decrease in inventories, and increases in deferred revenue and accounts payable and other accrued expenses, partially offset by increases in receivables. The increase in cash and deferred revenue included a \$4.4 million customer advance received at the end of the fiscal year in regard to a large international order. Operating activities provided cash of \$7.3 million in fiscal year 2016, primarily from operating earnings, a decrease in receivables and an increase in accounts payable and accrued expenses, partially offset by an increase in inventories. Operating activities provided cash of \$2.3 million in fiscal year 2015, primarily from operating earnings and an increase in accounts payable and other accrued expenses, partially offset by increases in receivables and inventories.

The Company's financing activities used cash of \$2,084,000 during fiscal year 2017 for repayment of short-term borrowings of \$227,000, cash dividends of \$1,570,000 paid to stockholders, and cash dividends of \$56,000 paid to minority interest holders and repayment of long-term debt of \$421,000. The Company's financing activities used cash during fiscal year 2016 of \$3.4 million primarily for cash dividends of \$1,361,000 paid to stockholders, cash dividends of \$75,000 paid to noncontrolling interest holders, repayments of short-term borrowings of \$1,137,000, final installment payment of \$888,000 toward the purchase of the noncontrolling interest in a subsidiary, and repayment of long-term debt of \$422,000. The Company's financing activities used cash during fiscal year 2015 of \$743,000 primarily for cash dividends of \$1,234,000 paid to stockholders, cash dividends of \$38,000 paid to noncontrolling interest holders, an installment payment of \$888,000 toward the purchase of the noncontrolling interest in a subsidiary, and repayment of long-term debt of \$421,000, offset by an increase in short-term borrowings of \$1,805,000. See Note 3 and Note 10 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report for additional information concerning our credit facility and the purchase of the noncontrolling interest in our subsidiary.

The majority of the April 30, 2017 accounts receivable balances are expected to be collected during the first quarter of fiscal year 2018, with the exception of retention amounts on fixed-price contracts which are collected when the entire construction project is completed and all retention funds are paid by the owner.

As discussed above, no further benefits have been, or will be, earned under our pension plans after April 30, 2005, and no additional participants have been, or will be, added to the plans. We estimate that contributions of \$600,000 will be made to the plans in fiscal year 2018. We made contributions of \$555,000 and \$64,000 to the plans in fiscal years 2017 and 2016, respectively.

Capital expenditures were \$2.6 million, \$2.2 million and \$2.6 million in fiscal years 2017, 2016 and 2015, respectively. Capital expenditures in fiscal year 2017 were funded primarily from operations. Fiscal year 2018 capital expenditures are anticipated to be approximately \$3.3 million, with the majority of these expenditures for manufacturing equipment and facilities improvements. The fiscal year 2018 expenditures are expected to be funded primarily by operating activities, supplemented as needed by borrowings under our revolving credit facility.

Working capital was \$32.9 million at April 30, 2017, up from \$30.0 million at April 30, 2016, and the ratio of current assets to current liabilities was 2.2-to-1.0 at April 30, 2017 and 2.4-to-1.0 at April 30, 2016. The increase in working capital for fiscal year 2017 was primarily due to the increase in cash and receivables, partially offset by the decrease in inventories.

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We paid cash dividends of \$0.58 per share in fiscal year 2017. We paid cash dividends of \$0.51 and \$0.47 per share in fiscal years 2016 and 2015, respectively. We expect to pay dividends in the future in line with our actual and anticipated future operating results.

**Table of Contents****RECENT ACCOUNTING STANDARDS**

**New Accounting Standards** In May 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers ( ASU 2014-09 ). This update outlines a new comprehensive revenue recognition model that supersedes most current revenue recognition guidance and requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The FASB has issued several updates and/or practical expedients to ASU 2014-09. ASU 2014-09 and the subsequent updates and/or practical expedients to the standard will be effective for the Company during the first quarter of our fiscal year 2019 and we do not plan to early adopt. ASU 2014-09 provides two methods of adopting the standard: using either a full retrospective approach or modified retrospective approach. We expect to elect the modified retrospective approach of adopting the standard. We have conducted a preliminary assessment of how ASU 2014-09 is likely to affect us, identifying the Company's revenue streams and performance obligations. Our contracts with customers currently may be for single performance obligations or for multiple performance obligations. Based on our preliminary assessment, we do not believe the new standard materially changes our accounting policy for these types of performance obligations. We have also evaluated the impact the new standard will have on our existing policies, contracts, accounting processes, internal controls, reporting systems and disclosure processes and are in the process of identifying improvements and or enhancements that we will make to the aforementioned in preparing to comply with the new guidance. We continue to evaluate the implications of the new guidance and at this time do not believe the adoption of ASU 2014-09 will have a material impact on the Company's consolidated financial position, results of operations, equity or cash flows.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, and requires related footnote disclosures. This guidance was effective for fiscal years, and interim periods within those years, ending after December 15, 2016. The Company adopted this standard effective May 1, 2016. The adoption of this standard did not have a significant impact on the Company's consolidated financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, Interest Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. This guidance requires that debt issuance costs related to a recognized liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Company adopted this standard effective May 1, 2016. The adoption of this standard did not have a significant impact on the Company's consolidated financial position or results of operations.

In July 2015, the FASB issued ASU 2015-11, Inventory Simplifying the Measurement of Inventory. This guidance changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company adopted this standard effective May 1, 2017. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, Income Taxes Balance Sheet Classification of Deferred Taxes. This guidance eliminates the requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Instead, the update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted prospectively or retrospectively. The Company early adopted this guidance prospectively beginning with the Consolidated Balance Sheet at April 30, 2016. Prior periods were not retrospectively adjusted.

In February 2016, the FASB issued ASU 2016-2, Leases. This guidance establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company will adopt this standard in fiscal year 2020. The Company has not yet determined the effect, if any, that the adoption of this standard will have on the Company's financial position or results of operations.

## **Table of Contents**

In March 2016, the FASB issued ASU 2016-9, *Stock Compensation – Improvements to Employee Share-Based Payment Accounting*. This guidance simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company adopted this standard effective May 1, 2017. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss method used for determining credit losses on financial assets, including trade receivables, with an expected credit loss method. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company will adopt this standard in fiscal year 2021. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, *Cash Flow Classification of Certain Cash Receipts and Cash Payments*, which clarifies guidance on classification of certain transactions in the statement of cash flows, including classification of debt prepayments, debt extinguishment costs and contingent consideration payments after a business combination. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt this standard in fiscal year 2019. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows reconcile the change during the period in total cash, cash equivalents and restricted cash. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt this standard in fiscal year 2019. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company will adopt this standard in fiscal year 2021. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires that the service cost component of net periodic pension cost is presented in the same line as other compensation costs arising from services rendered by the respective employees during the year. The other components of net periodic pension cost are required to be presented in the income statement separately from the service cost component and outside of earnings from operations. This guidance allows for the service cost component to be eligible for capitalization when applicable. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt this standard in fiscal year 2019. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

## **OUTLOOK**

Our ability to predict future demand for our products continues to be limited given our role as subcontractor or supplier to dealers for subcontractors. Demand for our products is also dependent upon the number of laboratory construction projects planned and/or current progress in projects already under construction. Our earnings are also impacted by fluctuations in prevailing pricing for projects in the laboratory construction marketplace and increased costs of raw materials, including stainless steel, wood, and epoxy resin, and whether we are able to increase product prices to customers in amounts that correspond to such increases without materially and adversely affecting sales. Additionally, since prices are normally quoted on a firm basis in the industry, we bear the burden of possible increases in labor and material costs between the quotation of an order and delivery of a product. We are also unable to predict the timing and strength of the global economic recovery and its short-term and long-term impact on our operations and the markets in which we compete.

**Table of Contents**

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk in the area of interest rates. This exposure is associated with advances outstanding under our bank line of credit and certain lease obligations for production machinery, all of which are priced on a floating rate basis. Advances outstanding under the bank line of credit were \$3.5 million at April 30, 2017. In May 2013, the Company entered into an interest rate swap agreement whereby the interest rate payable by the Company on \$3,450,000 of outstanding long-term debt was effectively converted to a fixed interest rate of 4.875% for the period beginning May 1, 2013 and ending August 1, 2017. In May 2013, the Company entered into an interest rate swap agreement whereby the interest rate payable by the Company on \$2,600,000 of outstanding long-term debt was effectively converted to a fixed interest rate of 4.37% for the period beginning August 1, 2017 and ending May 1, 2020. In May 2013, the Company entered into an interest rate swap agreement whereby the interest rate payable by the Company on \$1,218,000 of outstanding long-term debt was effectively converted to a fixed interest rate of 3.07% for the period beginning November 3, 2014 and ending May 1, 2020. We believe that our exposure to market risk is not material.

**Table of Contents**

**Item 8. Financial Statements and Supplementary Data**

	<b>Page</b>
<u>Consolidated Financial Statements</u>	
<u>Report of Independent Registered Public Accounting Firm Ernst &amp; Young LLP</u>	17
<u>Report of Independent Registered Public Accounting Firm Cherry Bekaert LLP</u>	18
<u>Consolidated Statements of Operations – Years ended April 30, 2017, 2016, and 2015</u>	19
<u>Consolidated Statements of Comprehensive Income – Years ended April 30, 2017, 2016, and 2015</u>	19
<u>Consolidated Statements of Stockholders’ Equity – Years ended April 30, 2017, 2016, and 2015</u>	20
<u>Consolidated Balance Sheets – April 30, 2017 and 2016</u>	21
<u>Consolidated Statements of Cash Flows – Years ended April 30, 2017, 2016, and 2015</u>	22
<u>Notes to Consolidated Financial Statements</u>	23
<u>Consents of Independent Registered Public Accounting Firms</u>	39

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS**

**OF KEWAUNEE SCIENTIFIC CORPORATION**

**STATESVILLE, NORTH CAROLINA**

We have audited the accompanying consolidated balance sheet of Kewaunee Scientific Corporation and subsidiaries as of April 30, 2017 and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year ended April 30, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kewaunee Scientific Corporation and subsidiaries at April 30, 2017 and the consolidated results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP  
Charlotte, North Carolina  
July 21, 2017



**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS**

**OF KEWAUNEE SCIENTIFIC CORPORATION**

**STATESVILLE, NORTH CAROLINA**

We have audited the accompanying consolidated balance sheet of Kewaunee Scientific Corporation and subsidiaries (the "Company") as of April 30, 2016, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the years ended April 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of April 30, 2016, and the consolidated results of their operations and their cash flows for the years ended April 30, 2016 and 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ CHERRY BEKAERT LLP  
Charlotte, North Carolina  
July 21, 2016

**Table of Contents****CONSOLIDATED STATEMENTS OF OPERATIONS**

Years Ended April 30	Kewaunee Scientific Corporation		
	2017	2016	2015
<i>\$ and shares in thousands, except per share amounts</i>			
Net sales	\$ 138,558	\$ 128,626	\$ 118,828
Costs of products sold	111,951	104,918	97,062
Gross profit	26,607	23,708	21,766
Operating expenses	20,065	18,010	16,540
Operating earnings	6,542	5,698	5,226
Other income, net	496	347	484
Interest expense	(292)	(306)	(325)
Earnings before income taxes	6,746	5,739	5,385
Income tax expense	2,126	1,862	1,745
Net earnings	4,620	3,877	3,640
Less: net earnings attributable to the noncontrolling interest	105	75	111
Net earnings attributable to Kewaunee Scientific Corporation	\$ 4,515	\$ 3,802	\$ 3,529
Net earnings per share attributable to Kewaunee Scientific Corporation stockholders			
Basic	\$ 1.67	\$ 1.43	\$ 1.34
Diluted	\$ 1.66	\$ 1.42	\$ 1.33
Weighted average number of common shares outstanding			
Basic	2,705	2,667	2,626
Diluted	2,726	2,687	2,658

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Years Ended April 30	Kewaunee Scientific Corporation		
	2017	2016	2015
<b>\$ in thousands</b>			
Net earnings	\$ 4,620	\$ 3,877	\$ 3,640
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	231	(217)	(346)
Change in unrecognized actuarial loss on pension obligations	1,012	448	(1,266)
Change in fair value of cash flow hedges	64	23	5
Comprehensive income, net of tax	5,927	4,131	2,033
Less comprehensive income attributable to the noncontrolling interest	105	75	111
Total comprehensive income attributable to Kewaunee Scientific Corporation	\$ 5,822	\$ 4,056	\$ 1,922

*The accompanying Notes are an integral part of these Consolidated Financial Statements.*

**Table of Contents****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****Kewaunee Scientific Corporation**

<i>\$ in thousands, except shares and per share amounts</i>	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at April 30, 2014	\$ 6,557	\$ 1,642	\$ (57)	\$ 32,090	\$ (6,273)	\$ 33,959
Net earnings attributable to Kewaunee Scientific Corporation				3,529		3,529
Other comprehensive loss					(1,607)	(1,607)
Cash dividends paid, \$0.47 per share				(1,234)		(1,234)
Stock options exercised, 29,075 shares	26	3	25			54
Stock based compensation		196				196
Purchase of treasury stock, 1,159 shares			(21)			(21)
Balance at April 30, 2015	6,583	1,841	(53)	34,385	(7,880)	34,876
Net earnings attributable to Kewaunee Scientific Corporation				3,802		3,802
Other comprehensive income					254	254
Cash dividends paid, \$0.51 per share				(1,361)		(1,361)
Stock options exercised, 84,000 shares	137	342				479
Stock based compensation		192				192
Balance at April 30, 2016	6,720	2,375	(53)	36,826	(7,626)	38,242
Net earnings attributable to Kewaunee Scientific Corporation				4,515		4,515
Other comprehensive income					1,307	1,307
Cash dividends paid, \$0.58 per share				(1,570)		(1,570)
Stock options exercised, 50,075 shares	69	121				190
Stock based compensation		199				199
Balance at April 30, 2017	\$ 6,789	\$ 2,695	\$ (53)	\$ 39,771	\$ (6,319)	\$ 42,883

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****CONSOLIDATED BALANCE SHEETS****April 30****Kewaunee Scientific Corporation***\$ and shares in thousands, except per share amounts***2017****2016****ASSETS****Current Assets**

Cash and cash equivalents	\$ 12,506	\$ 5,222
Restricted cash	1,435	1,567
Receivables, less allowance: \$191 (2017); \$202 (2016)	29,889	27,835
Inventories	14,935	15,626
Prepaid expenses and other current assets	1,047	707

<b>Total Current Assets</b>	<b>59,812</b>	<b>50,957</b>
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<b>Property, Plant and Equipment, Net</b>	<b>14,027</b>	<b>14,118</b>
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**Other Assets**

Deferred income taxes	3,158	3,392
Other	3,919	3,938

<b>Total Other Assets</b>	<b>7,077</b>	<b>7,330</b>
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<b>Total Assets</b>	<b>\$ 80,916</b>	<b>\$ 72,405</b>
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**LIABILITIES AND STOCKHOLDERS EQUITY****Current Liabilities**

Short-term borrowings and interest rate swaps	\$ 3,591	\$ 3,818
Current portion of long-term debt	918	421
Accounts payable	11,995	11,722
Employee compensation and amounts withheld	2,765	2,333
Deferred revenue	5,806	785
Other accrued expenses	1,852	1,871

<b>Total Current Liabilities</b>	<b>26,927</b>	<b>20,950</b>
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Long-term debt	2,431	3,349
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Accrued pension and deferred compensation costs	8,301	9,554
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<b>Total Liabilities</b>	<b>37,659</b>	<b>33,853</b>
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**Commitments and Contingencies (Note 7)****Stockholders Equity**

Common stock, \$2.50 par value, Authorized 5,000 shares; Issued 2,715 shares (2017); 2,688 shares; (2016); Outstanding 2,712 shares (2017); 2,685 shares (2016);	6,789	6,720
Additional paid-in-capital	2,695	2,375
Retained earnings	39,771	36,826
Accumulated other comprehensive loss	(6,319)	(7,626)
Common stock in treasury, at cost: 3 shares	(53)	(53)

<b>Total Kewaunee Scientific Corporation Stockholders Equity</b>	<b>42,883</b>	<b>38,242</b>
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Noncontrolling Interest	374	310
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<b>Total Equity</b>	<b>43,257</b>	38,552
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 80,916</b>	\$ 72,405

*The accompanying Notes are an integral part of these Consolidated Financial Statements.*

**Table of Contents****CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>Years Ended April 30</b>	<b>Kewaunee Scientific Corporation</b>		
<i>\$ in thousands</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities</b>			
Net earnings	<b>\$ 4,620</b>	\$ 3,877	\$ 3,640
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	<b>2,702</b>	2,592	2,615
Bad debt provision	<b>37</b>	74	55
Stock based compensation expense	<b>199</b>	192	196
Provision (benefit) for deferred income tax expense	<b>234</b>	(335)	(513)
Change in assets and liabilities:			
(Increase) decrease in receivables	<b>(2,091)</b>	1,197	(5,688)
(Decrease) increase in inventories	<b>691</b>	(2,881)	(807)
Increase in accounts payable and other accrued expenses	<b>686</b>	1,351	3,008
Increase in deferred revenue	<b>5,021</b>	569	79
Other, net	<b>(437)</b>	635	(294)
<b>Net cash provided by operating activities</b>	<b>11,662</b>	7,271	2,291
<b>Cash Flows from Investing Activities</b>			
Capital expenditures	<b>(2,611)</b>	(2,187)	(2,568)
Decrease (increase) in restricted cash	<b>132</b>	709	(1,908)
<b>Net cash used in investing activities</b>	<b>(2,479)</b>	(1,478)	(4,476)
<b>Cash Flows from Financing Activities</b>			
Dividends paid	<b>(1,570)</b>	(1,361)	(1,234)
Dividends paid to noncontrolling interest in subsidiaries	<b>(56)</b>	(75)	(38)
(Decrease) increase in short-term borrowings and interest rate swaps, net	<b>(227)</b>	(1,137)	1,805
Payment toward purchase of noncontrolling interest in subsidiary		(888)	(888)
Payments on long-term debt	<b>(421)</b>	(422)	(421)
Net proceeds from exercise of stock options (including tax benefit)	<b>190</b>	479	33
<b>Net cash used in financing activities</b>	<b>(2,084)</b>	(3,404)	(743)
Effect of exchange rate changes on cash, net	<b>185</b>	(211)	(276)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>7,284</b>	2,178	(3,204)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>5,222</b>	3,044	6,248
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 12,506</b>	\$ 5,222	\$ 3,044
<b>Supplemental Disclosure of Cash Flow Information</b>			
Interest paid	<b>\$ 292</b>	\$ 306	\$ 323
Income taxes paid	<b>\$ 2,618</b>	\$ 2,387	\$ 1,873

*The accompanying Notes are an integral part of these Consolidated Financial Statements.*





**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Note 1 Summary of Significant Accounting Policies**

Kewaunee Scientific Corporation and subsidiaries (collectively the Company) design, manufacture, and install laboratory, healthcare, and technical furniture products. The Company's products include steel, wood, and laminate furniture, fume hoods, biological safety cabinets, laminare flow and ductless fume hoods, adaptable modular and column systems, movable workstations and carts, epoxy resin worksurfaces, sinks and accessories and related design services. The Company's sales are made through purchase orders and contracts submitted by customers, dealers and agents, a national stocking distributor, and competitive bids submitted by the Company and its subsidiaries located in Singapore, India, and China. The majority of the Company's products are sold to customers located in North America, primarily within the United States. The Company's laboratory products are used in chemistry, physics, biology and other general science laboratories in the pharmaceutical, biotechnology, industrial, chemical, commercial, educational, government and health care markets. Technical products are used in facilities manufacturing computers and light electronics and by users of computer and networking furniture. Laminate casework is used in educational, healthcare and industrial applications.

**Principles of Consolidation** The Company's consolidated financial statements include the accounts of Kewaunee Scientific Corporation and its five international subsidiaries. A brief description of each subsidiary, along with the amount of the Company's controlling financial interests, is as follows: (1) Kewaunee Labway Asia Pte. Ltd., a dealer for the Company's products in Singapore, is 100% owned by the Company; (2) Kewaunee Labway India Pvt. Ltd., a dealer for the Company's products in Bangalore, India, is 90% owned by the Company; (3) Kewaunee Scientific Corporation India Pvt. Ltd. in Bangalore, India, a manufacturing and assembly operation, is 100% owned by the Company; (4) Kewaunee Scientific Corporation Singapore Pte. Ltd., a holding company in Singapore, is 100% owned by the Company; and (5) Kewaunee Scientific (Suzhou) Co., Ltd., a dealer operation for the Company's products in China, is 100% owned by the Company. All intercompany balances, transactions, and profits have been eliminated. Included in the consolidated financial statements are net assets of \$12,268,000 and \$12,298,000 at April 30, 2017 and 2016, respectively, of the Company's subsidiaries. Net sales by the Company's subsidiaries in the amount of \$25,477,000, \$25,579,000, and \$25,730,000 were included in the consolidated statements of operations for fiscal years 2017, 2016, and 2015, respectively.

**Cash and Cash Equivalents** Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less. During the years ended April 30, 2017 and 2016, the Company had cash deposits in excess of FDIC insured limits. The Company has not experienced any losses from such deposits.

**Restricted Cash** Restricted cash includes bank deposits of subsidiaries used for performance guarantees against customer orders.

**Accounts Receivable and Allowance for Doubtful Accounts** Accounts receivable are stated at the amount owed by the customer, net of allowances for estimated doubtful accounts. The Company evaluates the collectability of its trade accounts receivables based on a number of factors. In circumstances where management is aware of a customer's inability to meet its financial obligations to the Company, or a project dispute makes it unlikely that all of the receivable owed by a customer will be collected, a specific reserve for bad debts is estimated and recorded to reduce the recognized receivable to the estimated amount the Company believes will ultimately be collected. In addition to specific customer identification of potential bad debts, a general reserve for bad debts is estimated and recorded based on past loss history and an overall assessment of past due trade accounts receivable amounts outstanding. Accounts are written off when it is clearly established that the receivable is a bad debt. Recoveries of receivables previously written off are recorded when received. The activity in the allowance for doubtful accounts for each of the three years ended April 30 was:

\$ in thousands	2017	2016	2015
Balance at beginning of year	\$ 202	\$ 171	\$ 229
Bad debt provision	37	74	55
Doubtful accounts written off (net)	(48)	(43)	(113)
Balance at end of year	\$ 191	\$ 202	\$ 171

**Unbilled Receivables** Unbilled receivables represent amounts earned which have not yet been billed in accordance with contractually stated billing terms. The amount of unbilled receivables at April 30, 2017 and 2016 was \$450,000 and \$323,000, respectively.



**Table of Contents**

**Inventories** The majority of inventories are valued at the lower of cost or market under the last-in, first-out ( LIFO ) double extension method. The LIFO method allocates the most recent costs to cost of products sold; and, therefore, recognizes into operating results fluctuations in costs of raw materials more quickly than other methods. Inventories at our international subsidiaries are measured on the first-in, first-out ( FIFO ) method.

**Property, Plant and Equipment** Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is determined for financial reporting purposes principally on the straight-line method over the estimated useful lives of the individual assets or, for leaseholds, over the terms of the related leases, if shorter. Property, plant and equipment consisted of the following at April 30:

\$ in thousands	2017	2016	Useful Life
Land	\$ 41	\$ 41	N/A
Building and improvements	15,892	15,638	10-40 years
Machinery and equipment	35,635	34,249	5-10 years
Total	51,568	49,928	
Less accumulated depreciation	(37,541)	(35,810)	
Net property, plant and equipment	\$ 14,027	\$ 14,118	

Management reviews the carrying value of property, plant and equipment for impairment whenever changes in circumstances or events indicate that such carrying value may not be recoverable. If projected undiscounted cash flows are not sufficient to recover the carrying value of the potentially impaired asset, the carrying value is reduced to estimated fair value. There were no impairments in fiscal years 2017, 2016, or 2015.

**Other Assets** Other assets at April 30, 2017 and 2016 included \$3,748,000 and \$3,867,000, respectively, of assets held in a trust account for non-qualified benefit plans and \$75,000 and \$62,000, respectively, of cash surrender values of life insurance policies. Life insurance policies are recorded at the amount that could be realized under the insurance contract as of the date of the Company's consolidated balance sheet with the change in cash surrender or contract value being recorded as income or expense during each period.

**Use of Estimates** The presentation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Significant estimates impacting the accompanying consolidated financial statements include the allowance for uncollectible accounts receivable, inventory valuation, self-insurance reserves, and pension liabilities.

**Fair Value of Financial Instruments** A financial instrument is defined as cash equivalents, evidence of an ownership interest in an entity, or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from another party. The Company's financial instruments consist primarily of cash and equivalents, mutual funds, cash surrender value of life insurance policies, term loans and short-term borrowings. The carrying value of these assets and liabilities approximate their fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Expanded disclosures about instruments measured at fair value require the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

Level 1	Quoted prices in active markets for identical assets or liabilities as of the reporting date.
Level 2	Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities as of the reporting date.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.



**Table of Contents**

The following tables summarize the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring and nonrecurring basis as of April 30, 2017 and 2016 (in thousands):

<b>Financial Assets</b>	2017			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Trading securities held in non-qualified compensation plans (1)	\$ 3,748	\$	\$	\$ 3,748
Cash surrender value of life insurance policies (1)		75		75
<b>Total</b>	<b>\$ 3,748</b>	<b>\$ 75</b>	<b>\$</b>	<b>\$ 3,823</b>

<b>Financial Liabilities</b>				
Non-qualified compensation plans (2)	\$	\$ 4,186	\$	\$ 4,186
Interest rate swap derivatives		62		62
<b>Total</b>	<b>\$</b>	<b>\$ 4,248</b>	<b>\$</b>	<b>\$ 4,248</b>

<b>Financial Assets</b>	2016			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Trading securities held in non-qualified compensation plans (1)	\$ 3,867	\$	\$	\$ 3,867
Cash surrender value of life insurance policies (1)		62		62
<b>Total</b>	<b>\$ 3,867</b>	<b>\$ 62</b>	<b>\$</b>	<b>\$ 3,929</b>

<b>Financial Liabilities</b>				
Non-qualified compensation plans (2)	\$	\$ 4,215	\$	\$ 4,215
Interest rate swap derivatives		166		166
<b>Total</b>	<b>\$</b>	<b>\$ 4,381</b>	<b>\$</b>	<b>\$ 4,381</b>

(1) The Company maintains two non-qualified compensation plans which include investment assets in a rabbi trust. These assets consist of marketable securities, which are valued using quoted market prices multiplied by the number of shares owned, and life insurance policies, which are valued at their cash surrender value.

(2) Plan liabilities are equal to the individual participants' account balances and other earned retirement benefits.

**Revenue Recognition** Product sales and installation revenue are recognized when all of the following criteria have been met: (1) products have been shipped, or customers have purchased and accepted title to the goods, but because of construction delays, have requested that the Company temporarily store the finished goods on the customer's behalf; service revenue for installation of products sold is recognized as the installation services are performed, (2) persuasive evidence of an arrangement exists, (3) the price to the customer is fixed, and (4) collectability is reasonably assured. The Company utilizes either the percentage of completion or completed contract method based on facts and circumstances of individual contracts.

Deferred revenue consists of customer deposits and advance billings of the Company's products where sales have not yet been recognized. Accounts receivable includes retainage in the amounts of \$2,839,000 and \$1,562,000 at April 30, 2017 and 2016, respectively. Shipping and handling costs are included in cost of product sales. Because of the nature and quality of the Company's products, any warranty issues are determined in a relatively short period after the sale and are infrequent in nature, and as such, warranty costs are immaterial to the Company's consolidated financial position and results of operations and are expensed as incurred.

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Product sales resulting from fixed-price construction contracts involve a signed contract for a fixed price to provide the Company's laboratory furniture and fume hoods for a construction project. In these instances, the Company is usually in the role of a subcontractor, but in some cases may enter into a contract directly with the end-user of the products. Contract arrangements normally do not contain a general right of return relative to the delivered items. Product sales resulting from fixed-price construction contracts are generated from multiple-element arrangements that require separate units of accounting and estimates regarding the fair value of individual elements. The Company has determined that its multiple-element arrangements that qualify as separate units of accounting are (1) product sales and (2) installation services. There is objective and reliable evidence of fair value

## Table of Contents

for both the product sales and installation services and allocation of arrangement consideration for each of these units is based on their relative fair values. Each of these elements represent individual units of accounting, as the delivered item has value to a customer on a stand-alone basis. The Company's products are regularly sold on a stand-alone basis to customers which provides vendor-specific objective evidence of fair value. The fair value of installation services is separately calculated using expected costs of installation services. Many times the value of installation services is calculated using price quotations from subcontractors to the Company who perform installation services on a stand-alone basis.

Product sales resulting from purchase orders involve a purchase order received by the Company from its dealers or stocking distributor. This category includes product sales for standard products, as well as products which require some customization. Any customization requirements are approved by the customer prior to manufacture of the customized product. Sales from purchase orders are recognized under the terms of the purchase order which generally are freight on board ( FOB ) shipping point and do not include rights of return. Accordingly, these sales are recognized at the time of shipment.

**Credit Concentration** Credit risk is generally not concentrated with any one customer or industry, although the Company does enter into large contracts with individual customers from time to time. The Company performs credit evaluations of its customers. Revenues from three of the Company's domestic dealers represented in the aggregate approximately 38%, 40%, and 36% of the Company's sales in fiscal years 2017, 2016, and 2015, respectively. Accounts receivable for two domestic customers represented approximately 25% and 24% of the Company's total accounts receivable as of April 30, 2017 and 2016, respectively.

**Insurance** Effective January 1, 2016, the Company moved from a fully-insured health care program to a self-insured program. The Company accrues estimated losses for claims incurred but not reported ( IBNR ) using actuarial models and assumptions based on historical loss experience. The Company has also purchased specific stop-loss insurance to limit claims above a certain amount. The Company adjusts insurance reserves, as needed, in the event that future loss experience differs from historical loss patterns.

**Income Taxes** In accordance with ASC 740, Income Taxes, the Company uses the liability method in measuring the provision for income taxes and recognizing deferred tax assets and liabilities on the balance sheet. Provision has not been made for income taxes on unremitted earnings of foreign subsidiaries as these earnings are deemed to be permanently reinvested. ASC 740 clarifies the financial statement recognition threshold and measurement attribute of a tax position taken or expected to be taken in a tax return. Under ASC 740, the Company applies a more-likely-than-not recognition threshold for all tax uncertainties. ASC 740 only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. The Company did not have any significant uncertain tax positions at April 30, 2017 and 2016. The Company early adopted ASU 2015-17, Balance Sheet Classification of Deferred Taxes in fiscal year 2016 and applied prospective treatment of the standard. Prior periods were not retrospectively adjusted.

**Research and Development Costs** Research and development costs are charged to cost of products sold in the periods incurred. Expenditures for research and development costs were \$1,163,000, \$1,167,000, and \$936,000 for the fiscal years ended April 30, 2017, 2016 and 2015, respectively.

**Advertising Costs** Advertising costs are expensed as incurred, and include trade shows, training materials, sales, samples, and other related expenses. Advertising costs for the years ended April 30, 2017, 2016 and 2015 were \$352,000, \$311,000, and \$404,000, respectively.

**Derivative Financial Instruments** The Company records derivatives on the consolidated balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The nature of the Company's business activities involves the management of various financial and market risks, including those related to changes in interest rates. The Company does not enter into derivative instruments for speculative purposes. In May 2013, the Company entered into an interest rate swap agreement whereby the interest rate payable by the Company on \$3,450,000 of outstanding long-term debt was effectively converted to a fixed interest rate of 4.875% for the period beginning May 1, 2013 and ending August 1, 2017. In May 2013, the Company entered into an interest rate swap agreement whereby the interest rate payable by the Company on \$2,600,000 of outstanding long-term debt was effectively converted to a fixed interest rate of 4.37% for the period beginning August 1, 2017 and ending May 1, 2020. In May 2013, the Company entered into an interest rate swap agreement whereby the interest rate payable by the Company on \$1,218,000 of outstanding long-term debt was effectively converted to a fixed interest rate of 3.07% for the period beginning November 3, 2014 and ending May 1, 2020. The Company entered into these interest rate swap arrangements to mitigate future interest rate risk associated with its long-term debt and has designated these as cash flow hedges. (See Note 3)

**Foreign Currency Translation** The financial statements of subsidiaries located outside the United States are measured using the local currency as the functional currency. Assets and liabilities of the Company's foreign subsidiaries are translated into United





**Table of Contents**

States dollars at fiscal year-end exchange rates. Sales, expenses, and cash flows are translated at weighted average exchange rates for each period. Net translation gains or losses are included in other comprehensive income, a separate component of stockholders' equity. The Company does not provide for U.S. income taxes on foreign currency translation adjustments, since it does not provide for taxes on undistributed earnings of foreign subsidiaries. Gains and losses from foreign currency transactions of these subsidiaries are included in operating expenses.

**Earnings Per Share** Basic earnings per share is based on the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the assumed exercise and conversion of outstanding options under the Company's stock option plans, except when options have an antidilutive effect. Options to purchase 39,200, 110,100 and 80,800 shares at April 30, 2017, 2016 and 2015, respectively were not included in the computation of diluted earnings per share, because the option exercise prices were greater than the average market price of the common shares at that date, and accordingly such options would have an antidilutive effect.

The following is a reconciliation of basic to diluted weighted average common shares outstanding:

Shares in thousands	2017	2016	2015
Weighted average common shares outstanding			
Basic	2,705	2,667	2,626
Dilutive effect of stock options	21	20	32
Weighted average common shares outstanding - diluted	2,726	2,687	2,658

**Accounting for Stock Options** Compensation costs related to stock options granted by the Company are charged against operating expenses during their vesting period, under ASC 718, Compensation - Stock Compensation. The Company granted stock options for 45,200, 40,200, and 45,800 shares during fiscal years 2017, 2016, and 2015, respectively. (See Note 5)

**New Accounting Standards** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASU 2014-09). This update outlines a new comprehensive revenue recognition model that supersedes most current revenue recognition guidance and requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The FASB has issued several updates and/or practical expedients to ASU 2014-09. ASU 2014-09 and the subsequent updates and/or practical expedients to the standard will be effective for the Company during the first quarter of our fiscal year 2019 and we do not plan to early adopt. ASU 2014-09 provides two methods of adopting the standard: using either a full retrospective approach or modified retrospective approach. We expect to elect the modified retrospective approach of adopting the standard. We have conducted a preliminary assessment of how ASU 2014-09 is likely to affect us, identifying the Company's revenue streams and performance obligations. Our contracts with customers currently may be for single performance obligations or for multiple performance obligations. Based on our preliminary assessment, we do not believe the new standard materially changes our accounting policy for these types of performance obligations. We have also evaluated the impact the new standard will have on our existing policies, contracts, accounting processes, internal controls, reporting systems and disclosure processes and are in the process of identifying improvements and or enhancements that we will make to the aforementioned in preparing to comply with the new guidance. We continue to evaluate the implications of the new guidance and at this time do not believe the adoption of ASU 2014-09 will have a material impact on the Company's consolidated financial position, results of operations, equity or cash flows.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, and requires related footnote disclosures. This guidance was effective for fiscal years, and interim periods within those years, ending after December 15, 2016. The Company adopted this standard effective May 1, 2016. The adoption of this standard did not have a significant impact on the Company's consolidated financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. This guidance requires that debt issuance costs related to a recognized liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Company adopted this standard effective May 1, 2016. The adoption of this standard did not have a significant impact on the Company's consolidated financial position or results of operations.



**Table of Contents**

In July 2015, the FASB issued ASU 2015-11, *Inventory – Simplifying the Measurement of Inventory*. This guidance changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company adopted this standard effective May 1, 2017. The Company does not expect the adoption of this standard to have a significant impact on the Company’s consolidated financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes – Balance Sheet Classification of Deferred Taxes*. This guidance eliminates the requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Instead, the update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted prospectively or retrospectively. The Company early adopted this guidance prospectively beginning with the Consolidated Balance Sheet at April 30, 2016. Prior periods were not retrospectively adjusted.

In February 2016, the FASB issued ASU 2016-2, *Leases*. This guidance establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company will adopt this standard in fiscal year 2020. The Company has not yet determined the effect, if any, that the adoption of this standard will have on the Company’s financial position or results of operations.

In March 2016, the FASB issued ASU 2016-9, *Stock Compensation – Improvements to Employee Share-Based Payment Accounting*. This guidance simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company adopted this standard effective May 1, 2017. The Company does not expect the adoption of this standard to have a significant impact on the Company’s consolidated financial position or results of operations.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss method used for determining credit losses on financial assets, including trade receivables, with an expected credit loss method. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company will adopt this standard in fiscal year 2021. The Company does not expect the adoption of this standard to have a significant impact on the Company’s consolidated financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, *Cash Flow Classification of Certain Cash Receipts and Cash Payments*, which clarifies guidance on classification of certain transactions in the statement of cash flows, including classification of debt prepayments, debt extinguishment costs and contingent consideration payments after a business combination. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt this standard in fiscal year 2019. The Company does not expect the adoption of this standard to have a significant impact on the Company’s consolidated financial position or results of operations.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows reconcile the change during the period in total cash, cash equivalents and restricted cash. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt this standard in fiscal year 2019. The Company does not expect the adoption of this standard to have a significant impact on the Company’s consolidated financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company will adopt this standard in fiscal year 2021. The Company does not expect the adoption of this standard to have a significant impact on the Company’s consolidated financial position or results of operations.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires that the service cost component of net

**Table of Contents**

periodic pension cost is presented in the same line as other compensation costs arising from services rendered by the respective employees during the year. The other components of net periodic pension cost are required to be presented in the income statement separately from the service cost component and outside of earnings from operations. This guidance allows for the service cost component to be eligible for capitalization when applicable. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt this standard in fiscal year 2019. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

**Note 2 Inventories**

Inventories consisted of the following at April 30:

<b>\$ in thousands</b>	<b>2017</b>	<b>2016</b>
Finished goods	<b>\$ 3,179</b>	\$ 3,707
Work-in-process	<b>1,950</b>	1,889
Materials and components	<b>9,806</b>	10,030
 Total inventories	 <b>\$ 14,935</b>	 \$ 15,626

At April 30, 2017 and 2016, the Company's international subsidiaries' inventories were \$2,205,000 and \$2,253,000, respectively, measured using the first-in, first-out (FIFO) method. If all of the Company's inventories had been determined using the FIFO method at April 30, 2017 and 2016, reported inventories would have been \$748,000 and \$714,000 greater, respectively. During fiscal year 2017, the LIFO index was higher than 100% due to higher prices for certain raw materials. This increase resulted in the addition of LIFO inventory quantities carried at lower costs prevailing in prior years as compared to the cost of purchases in fiscal year 2016, the effect of which increased the costs of product sales by \$14,000. During fiscal year 2016, the LIFO index was lower than 100% due to lower prices for certain raw materials. This decrease resulted in the liquidation of LIFO inventory quantities carried at higher costs prevailing in fiscal year 2016 as compared to the cost of purchases in the fiscal year 2015, the effect of which decreased the cost of product sales by \$336,000.

**Note 3 Long-term Debt and Other Credit Arrangements**

On May 6, 2013, the Company entered into a credit and security agreement (the Loan Agreement) with a new lender consisting of (1) a \$20 million revolving credit facility (Line of Credit) which originally matured on May 1, 2016 and was extended to May 1, 2018 on June 3, 2015, (2) a term loan in the amount of \$3,450,000 which matures on May 1, 2020 (Term Loan A) and (3) a term loan in the amount of \$1,550,000 which matures on May 1, 2020 (Term Loan B and together with Term Loan A, the Term Loans). The Loan Agreement provided funds to refinance all existing indebtedness to the Company's previous lender and for working capital and other general corporate purposes. In addition, the credit facility provided a sub-line for the issuance of up to \$6.5 million of letters of credit at April 30, 2017 and April 30, 2016.

At April 30, 2017, there were advances of \$3.5 million and \$4.2 million in letters of credit outstanding, leaving \$12.3 million available under the Line of Credit. The borrowing rate under the Line of Credit at that date was 2.5%. Monthly interest payments under the Line of Credit were payable at the Daily One Month LIBOR interest rate plus 1.5% per annum. Payments are due under Term Loan A in consecutive equal monthly principal payments in the amount of \$17,000 until August 1, 2017, and then in consecutive equal monthly principal payments in the amount of \$79,000 each, commencing on September 1, 2017 and continuing on the first business day of each month thereafter until May 1, 2020, and at that time, all principal, accrued unpaid interest and other charges outstanding under Term Loan A shall be due and payable in full. The interest rate on Term Loan A, after consideration of related interest rate swap agreements, is a fixed rate per annum equal to 4.875%, and effective August 1, 2017, such rate converts to a fixed rate per annum of 4.37%. Payments are due under Term Loan B in consecutive equal monthly principal payments in the amount of \$18,000 until May 1, 2020, and at that time, all principal, accrued unpaid interest and other charges outstanding under Term Loan B shall be due and payable in full. The interest rate on Term Loan B, after consideration of the related interest rate swap agreement, effective November 3, 2014, converted to a fixed rate per annum of 3.07%. Scheduled annual principal payments for the term loans are \$918,000, \$1,167,000 and \$1,264,000 for fiscal years 2018, 2019 and 2020, respectively. Term Loan A and Term Loan B are secured by liens against certain machinery and equipment.

At April 30, 2017, there were bank guarantees issued by foreign banks outstanding to customers in the amount of \$1,403,000, \$112,000 and \$117,000 with expiration dates in fiscal years 2018, 2019 and 2020, respectively, collateralized by a \$4.0 million



**Table of Contents**

letter of credit under the Line of Credit and certain assets of the Company's subsidiaries in India. The Loan Agreement includes financial covenants with respect to certain ratios, including (a) debt-to-net worth, (b) fixed charge coverage, and (c) asset coverage. At April 30, 2017, the Company was in compliance with all of the financial covenants.

At April 30, 2016, there were advances of \$3.6 million and \$4.2 million in letters of credit outstanding under the Line of Credit. The borrowing rate at that date was 2.0%. At April 30, 2016, there were foreign bank guarantees outstanding to customers in the amount of \$3,686,000 and \$478,000 with expiration dates in fiscal years 2017 and 2018, respectively. At April 30, 2016, the Company was in compliance with all of the financial covenants.

Amounts outstanding under the term loans were as follows as of April 30:

\$ in thousands	2017	2016
Term Loan A payable	\$ 2,667	\$ 2,866
Term Loan B payable	682	904
Less: current portion	(918)	(421)
Long-term debt	\$ 2,431	\$ 3,349

**Note 4 Income Taxes**

Income tax expense consisted of the following:

\$ in thousands	2017	2016	2015
Current tax expense:			
Federal	\$ 891	\$ 974	\$ 759
State and local	120	117	151
Foreign	1,467	1,122	1,348
Total current tax expense	2,478	2,213	2,258
Deferred tax expense (benefit):			
Federal	(108)	(431)	(187)
State and local	24	98	(70)
Foreign	(268)	(18)	(256)
Total deferred tax benefit	(352)	(351)	(513)
Net income tax expense	\$ 2,126	\$ 1,862	\$ 1,745

The reasons for the differences between the above net income tax expense and the amounts computed by applying the statutory federal income tax rate to earnings before income taxes are as follows:

\$ in thousands	2017	2016	2015
Income tax expense at statutory rate	\$ 2,294	\$ 1,952	\$ 1,831
State and local taxes, net of federal income tax benefit (expense)	100	102	97
Tax credits (state, net of federal benefit)	(110)	(407)	(157)
Effects of differing US and foreign tax rates	(7)	173	47
Increase (decrease) in valuation allowance	82	(10)	(40)

Other items, net	(233)	52	(33)
Net income tax expense	<b>\$ 2,126</b>	\$ 1,862	\$ 1,745

**Table of Contents**

Significant items comprising deferred tax assets and liabilities as of April 30 were as follows:

<b>\$ in thousands</b>	<b>2017</b>	<b>2016</b>
<b>Deferred tax assets:</b>		
Accrued employee benefit expenses	\$ 549	\$ 529
Allowance for doubtful accounts	67	74
Deferred compensation	1,792	1,753
Tax credits	208	224
Unrecognized actuarial loss, defined benefit plans	3,223	3,850
Inventory Reserves	360	118
Net operating loss carryforwards	224	
Other	113	353
<b>Total deferred tax assets</b>	<b>6,536</b>	<b>6,901</b>
<b>Deferred tax liabilities:</b>		
Book basis in excess of tax basis of property, plant and equipment	(1,600)	(1,655)
Prepaid pension	(1,696)	(1,854)
<b>Total deferred tax liabilities</b>	<b>(3,296)</b>	<b>(3,509)</b>
<b>Less: valuation allowance</b>	<b>(82)</b>	
<b>Net deferred tax assets</b>	<b>\$ 3,158</b>	<b>\$ 3,392</b>
<b>Deferred tax assets classified in the balance sheet:</b>		
Non-current	3,158	3,392
<b>Net deferred tax assets (liabilities)</b>	<b>\$ 3,158</b>	<b>\$ 3,392</b>

Unremitted earnings of subsidiaries outside the United States are considered to be reinvested indefinitely at April 30, 2017. It is not practicable to determine the deferred tax liability for temporary differences related to those unremitted earnings. At April 30, 2017, the Company had state tax credit carryforwards in the amount of \$208,000, net of federal benefit, expiring beginning in 2018. At April 30, 2017, the Company had \$1,049,000 gross net operating losses in jurisdictions outside of the United States, of which \$569,000 is set to expire in years 2020 to 2022. After a review of the expiration schedule of the net operating loss carryforwards and future taxable income required to utilize such carryforwards before their expiration, a valuation allowance of \$82,000 was recorded at April 30, 2017.

**Note 5 Stock Options and Share-Based Compensation**

The stockholders approved the 2010 Stock Option Plan for Directors ( 2010 Plan ) in fiscal year 2011 which allows the Company to grant options on an aggregate of 100,000 shares of the Company's common stock. Under this plan, each eligible director was granted options to purchase 10,000 shares at the fair market value at the date of grant for a term of five years. These options are exercisable in four equal installments, one-fourth becoming exercisable on the next August 1 following the date of grant, and one-fourth becoming exercisable on August 1 of each of the next three years. At April 30, 2017, there were 25,000 shares available for future grants under the 2010 Plan.

The stockholders approved the 2008 Key Employee Stock Option Plan ( 2008 Plan ) in fiscal year 2009 which allowed the Company to grant options on an aggregate of 300,000 shares of the Company's common stock. On August 26, 2015, the stockholders approved an amendment to this plan to increase the number of shares available under the 2008 Plan by 300,000. Under the plan, options are granted at not less than the fair market value at the date of grant and options are exercisable in such installments, for such terms (up to 10 years), and at such times, as the Board of Directors may determine at the time of the grant. At April 30, 2017, there were 255,100 shares available for future grants under the 2008 Plan.

The Company recorded stock-based compensation expense in accordance with ASC 718. In order to determine the fair value of stock options on the date of grant, the Company applied the Black-Scholes option pricing model. Inherent in the model are assumptions related to expected



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stock-price volatility, option life, risk-free interest rate, and dividend yield. For stock options granted during the fiscal years 2017, 2016 and 2015, the Company believes that its historical share option experience does not provide a reasonable basis upon which to estimate expected term. The stock options granted have the plain-vanilla characteristics as defined in SEC Staff Accounting Bulletin No. 107 (SAB 107). The Company utilized the Safe Harbor option Simplified

**Table of Contents**

Method to determine the expected term of these options in accordance with the guidance of SAB 107 for options granted. The Company intends to continue to utilize the Simplified Method for future grants in accordance with the guidance of SAB 110 until such time that the Company believes that its historical share option experience will provide a reasonable basis to estimate expected term. The fair value of the options granted as shown below was estimated using the Black-Scholes model with the following assumptions:

	2017 2008 Plan	2016 2008 Plan	2015 2008 Plan 2010 Plan	
Options granted	45,200	40,200	35,800	10,000
Weighted average expected stock price volatility	29.17%	30.45%	46.67%	30.37%
Expected option life	6.25 years	6.25 years	6.25 years	3.38 years
Average risk-free interest rate	2.10%	1.97%	1.91%	1.28%
Average dividend yield	3.00%	2.78%	2.61%	2.69%
Estimated fair value of each option	\$5.04	\$3.97	\$6.60	\$3.04

The stock-based compensation expense is recorded over the vesting period (4 years) for the options granted, net of tax. The Company recorded \$199,000, \$192,000 and \$196,000 of compensation expense and \$74,000, \$72,000 and \$75,000 deferred income tax benefit in fiscal years 2017, 2016 and 2015, respectively. The remaining compensation expense of \$381,000 and deferred income tax benefit of \$141,000 will be recorded over the remaining vesting periods.

The Company issued new shares of common stock and treasury stock to satisfy options exercised during fiscal years 2017, 2016 and 2015. Stock option activity and weighted average exercise price is summarized as follows:

	2017		2016		2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	185,375	\$ 14.68	239,575	\$ 13.24	228,250	\$ 12.17
Granted	45,200	22.92	40,200	16.92	45,800	17.78
Canceled	(150)	10.64	(10,400)	16.37	(5,400)	11.74
Exercised	(50,075)	12.72	(84,000)	11.44	(29,075)	12.28
Outstanding at end of year	180,350	\$ 17.29	185,375	\$ 14.68	239,575	\$ 13.24
Exercisable at end of year	78,650	\$ 14.22	92,075	\$ 12.83	136,700	\$ 11.66

The number of options outstanding, exercisable, and their weighted average exercise prices were within the following price ranges at April 30, 2017

	Exercise Price Range		
	\$8.59-\$12.66	\$13.12-\$18.14	\$18.31-\$23.62
Options outstanding	34,150	101,000	45,200
Weighted average exercise price	\$ 10.92	\$ 16.92	\$ 22.92
Weighted average remaining contractual life	4.74 years	6.92 years	9.31 years
Aggregate intrinsic value	\$ 409,000	\$ 604,000	\$ 28,000
Options exercisable	34,150	44,500	
Weighted average exercise price	\$ 10.92	\$ 16.75	
Aggregate intrinsic value	\$ 409,000	\$ 274,000	



**Table of Contents****Note 6 Accumulated Other Comprehensive Income (Loss)**

The Company's other comprehensive income (loss) consists of unrealized gains and losses on the translation of the assets, liabilities, and equity of its foreign subsidiaries, changes in the fair value of its cash flow hedges, and additional minimum pension liability adjustments, net of income taxes. The before tax income (loss), related income tax effect, and accumulated balances are as follows:

\$ in thousands	Cash Flow Hedges	Foreign Currency Adjustment	Minimum Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balance at April 30, 2014	\$ (132)	\$ (665)	\$ (5,476)	\$ (6,273)
Effect of changes in tax rates	(2)		63	61
Foreign currency translation adjustment		(346)		(346)
Change in fair value of cash flow hedges	8			8
Change in unrecognized actuarial loss on pension obligations			(2,049)	(2,049)
Income tax effect	(1)		720	719
Balance at April 30, 2015	(127)	(1,011)	(6,742)	(7,880)
Effect of changes in tax rates	1		88	89
Foreign currency translation adjustment		(217)		(217)
Change in fair value of cash flow hedges	37			37
Change in unrecognized actuarial loss on pension obligations			716	716
Income tax effect	(15)		(356)	(371)
Balance at April 30, 2016	(104)	(1,228)	(6,294)	(7,626)
Effect of changes in tax rates	1		30	31
Foreign currency translation adjustment		231		231
Change in fair value of cash flow hedges	104			104
Change in unrecognized actuarial loss on pension obligations			1,609	1,609
Income tax effect	(41)		(627)	(668)
Balance at April 30, 2017	\$ (40)	\$ (997)	\$ (5,282)	\$ (6,319)

**Note 7 Commitments and Contingencies**

The Company leases both its primary distribution facility and warehouse facility under non-cancelable operating leases. The Company also leases some of its machinery and equipment under non-cancelable operating leases. Most of these leases provide the Company with renewal and purchase options, and most leases of machinery and equipment have certain early cancellation rights. Rent expense for these operating leases was \$2,225,000, \$2,283,000 and \$2,269,000 in fiscal years 2017, 2016, and 2015, respectively. Future minimum payments under the above non-cancelable lease arrangements for the years ending April 30 are as follows:

\$ in thousands	Operating
2018	\$ 1,191
2019	655
2020	308
2021	63
Total minimum lease payments	\$ 2,217

The Company is involved in certain claims and legal proceedings in the normal course of business which management believes will not have a material adverse effect on the Company's consolidated financial condition or results of operations.



**Table of Contents****Note 8 Retirement Benefits****Defined Benefit Plans**

The Company has non-contributory defined benefit pension plans covering some of its domestic employees. These plans were amended as of April 30, 2005, no further benefits have been, or will be, earned under the plans, subsequent to the amendment date, and no additional participants will be added to the plans. The defined benefit plan for salaried employees provides pension benefits that are based on each employee's years of service and average annual compensation during the last 10 consecutive calendar years of employment as of April 30, 2005. The benefit plan for hourly employees provides benefits at stated amounts based on years of service as of April 30, 2005. The Company uses an April 30 measurement date for its defined benefit plans. The change in projected benefit obligations and the change in fair value of plan assets for the non-contributory defined benefit pension plans for each of the years ended April 30 are summarized as follows:

\$ in thousands	2017	2016
<b>Accumulated Benefit Obligation, April 30</b>	<b>\$ 21,313</b>	<b>\$ 21,156</b>
<b>Change in Projected Benefit Obligations</b>		
Projected benefit obligations, beginning of year	\$ 21,156	\$ 22,441
Interest cost	927	912
Actuarial (gain) loss	299	(1,155)
Actual benefits paid	(1,069)	(1,042)
Projected benefit obligations, end of year	21,313	21,156
<b>Change in Plan Assets</b>		
Fair value of plan assets, beginning of year	15,817	17,094
Actual (loss) return on plan assets	1,895	(299)
Employer contributions	555	64
Actual benefits paid	(1,069)	(1,042)
Fair value of plan assets, end of year	17,198	15,817
Funded status under	\$ (4,115)	\$ (5,339)
<b>Amounts Recognized in the Consolidated Balance Sheets consist of:</b>		
Noncurrent liabilities	\$ (4,115)	\$ (5,339)
<b>Amounts recognized in accumulated other comprehensive income (loss) consist of:</b>		
Net actual loss	\$ 8,686	\$ 10,295
Deferred tax benefit	(3,223)	(3,850)
After-tax actuarial loss	\$ 5,463	\$ 6,445
<b>Weighted-Average Assumptions Used to Determine Benefit Obligations at April 30</b>		
Discount rate	4.10%	4.50%
Rate of compensation increase	N/A	N/A
Mortality table	RP-2014	RP-2014
Projection scale	MP-2016	MP-2015

**Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended**

**April 30**

Discount rate	<b>4.50%</b>	4.20%
Expected long-term return on plan assets	<b>8.00%</b>	8.25%
Rate of compensation increase	<b>N/A</b>	N/A

**Table of Contents**

The components of the net periodic pension cost for each of the fiscal years ended April 30 are as follows:

<b>\$ in thousands</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Interest cost	\$ 927	\$ 912	\$ 893
Expected return on plan assets	(1,244)	(1,363)	(1,324)
Recognition of net loss	1,257	1,223	934
 Net periodic pension cost	 \$ 940	 \$ 772	 \$ 503

The estimated net actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the fiscal year 2018 is \$1,060,000.

The Company's funding policy is to contribute to the plans when pension laws and economics either require or encourage funding. Contributions are anticipated for fiscal year 2018 to be \$600,000. Contributions of \$555,000 and \$64,000 were made to the plan in fiscal years 2017 and 2016, respectively.

The following benefit payments are expected to be paid from the benefit plans in the fiscal years ending April 30:

<b>\$ in thousands</b>	<b>Amount</b>
2018	\$ 1,250
2019	1,270
2020	1,310
2021	1,360
2022	1,370
2023-2027	7,010

The expected long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing. Historical markets are studied and long-term historical relationships between equities and fixed-income securities are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long-term. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are also reviewed to check for reasonableness and appropriateness.

The Company uses a Yield Curve methodology to determine its GAAP discount rate. Under this approach, future benefit payment cash flows are projected from the pension plan on a projected benefit obligation basis. The payment stream is discounted to a present value using an interest rate applicable to the timing of each respective cash flow. The graph of these time-dependent interest rates is known as a yield curve. The interest rates comprising the Yield Curve are determined through a statistical analysis performed by the IRS and issued each month in the form of a pension discount curve. For this purpose, the universe of possible bonds consists of a set of bonds which are designated as corporate, have high quality ratings (AAA or AA) from nationally recognized statistical rating organizations, and have at least \$250 million in par amount outstanding on at least one day during the reporting period. A 1% increase/decrease in the discount rate for fiscal years 2017 and 2016 would decrease/increase pension expense by approximately \$240,000 and \$248,000, respectively.

The Company uses a total return investment approach, whereby a mix of equities and fixed-income investments are used to attempt to maximize the long-term return on plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. The target allocations based on the Company's investment policy were 75% in equity securities and 25% in fixed-income securities at April 30, 2017 and April 30, 2016. A 1% increase/decrease in the expected return on assets for fiscal years 2017 and 2016 would decrease/increase pension expense by approximately \$152,000 and \$165,000, respectively.



**Table of Contents**

Plan assets by asset categories as of April 30 were as follows:

\$ in thousands Asset Category	2017		2016	
	Amount	%	Amount	%
Equity Securities	\$ 10,611	62	\$ 11,851	75
Fixed Income Securities	6,466	37	3,917	25
Cash and Cash Equivalents	121	1	49	
Totals	\$ 17,198	100	\$ 15,817	100

The following tables present the fair value of the assets in our defined benefit pension plans at April 30:

Asset Category	2017		
	Level 1	Level 2	Level 3
Large Cap	\$ 8,060	\$	\$
Small/Mid Cap	1,728		
International	823		
Fixed Income	6,466		
Cash and Cash Equivalents	121		
Totals	\$ 17,198	\$	\$

Asset Category	2016		
	Level 1	Level 2	Level 3
Large Cap	\$ 7,946	\$	\$
Small/Mid Cap	2,586		
International	1,319		
Fixed Income	3,917		
Cash and Cash Equivalents	49		
Totals	\$ 15,817	\$	\$

Level 1 retirement plan assets include United States currency held by a designated trustee and equity funds of common and preferred securities issued by domestic and foreign corporations. These equity funds are traded actively on exchanges and price quotes for these shares are readily available.

**Defined Contribution Plan**

The Company has a defined contribution plan covering substantially all domestic salaried and hourly employees. The plan provides benefits to all employees who have attained age 21, completed three months of service, and who elect to participate. The plan provides that the Company make matching contributions equal to 100% of the employee's qualifying contribution up to 3% of the employee's compensation, and make matching contributions equal to 50% of the employee's contributions between 3% and 5% of the employee's compensation, resulting in a maximum employer contribution equal to 4% of the employee's compensation. Additionally, the plan provides that the Company may elect to make a non-matching contribution for participants employed by the Company on December 31 of each year. The Company contributed 1% of the participant's qualifying compensation to the plan in fiscal years 2017, 2016 and 2015 amounting to \$1,118,000, \$1,057,000 and \$834,000, respectively.



**Table of Contents****Note 9 Segment Information**

The Company's operations are classified into two business segments: Domestic and International. The Domestic business segment principally designs, manufactures, and installs scientific and technical furniture, including steel and wood laboratory cabinetry, fume hoods, laminate casework, flexible systems, worksurfaces, workstations, workbenches, and computer enclosures. The International business segment, which consists of five foreign subsidiaries as identified in Note 1, provides the Company's products and services, including facility design, detailed engineering, construction, and project management from the planning stage through testing and commissioning of laboratories.

Intersegment transactions are recorded at normal profit margins. All intercompany balances and transactions have been eliminated. Certain corporate expenses shown below have not been allocated to the business segments.

The following table shows revenues, earnings, and other financial information by business segment for each of the three years ended April 30:

\$ in thousands	Domestic	International	Corporate	Total
<b>Fiscal Year 2017</b>				
Revenues from external customers	\$ 113,081	\$ 25,477	\$	\$ 138,558
Intersegment revenues	4,463	3,691	(8,154)	
Depreciation	2,478	224		2,702
Earnings (loss) before income taxes	8,221	3,507	(4,982)	6,746
Income tax expense (benefit)	2,522	1,199	(1,595)	2,126
Net earnings attributable to noncontrolling interest		105		105
Net earnings (loss) attributable to Kewaunee Scientific Corporation	5,699	2,203	(3,387)	4,515
Segment assets	57,246	23,670		80,916
Expenditures for segment assets	2,572	39		2,611
Revenues (excluding intersegment) from customers in foreign countries	1,568	25,477		27,045
<b>Fiscal Year 2016</b>				
Revenues from external customers	\$ 103,047	\$ 25,579	\$	\$ 128,626
Intersegment revenues	3,612	3,309	(6,921)	
Depreciation	2,375	217		2,592
Earnings (loss) before income taxes	7,471	2,738	(4,470)	5,739
Income tax expense (benefit)	1,834	1,104	(1,076)	1,862
Net earnings attributable to noncontrolling interest		75		75
Net earnings (loss) attributable to Kewaunee Scientific Corporation	5,637	1,559	(3,394)	3,802
Segment assets	54,030	18,375		72,405
Expenditures for segment assets	1,995	192		2,187
Revenues (excluding intersegment) from customers in foreign countries	1,794	25,579		27,373
<b>Fiscal Year 2015</b>				
Revenues from external customers	\$ 93,098	\$ 25,730	\$	\$ 118,828
Intersegment revenues	1,433	2,419	(3,852)	
Depreciation	2,399	216		2,615
Earnings (loss) before income taxes	5,810	3,073	(3,498)	5,385
Income tax expense (benefit)	1,794	1,092	(1,141)	1,745
Net earnings attributable to noncontrolling interest		111		111
Net earnings (loss) attributable to Kewaunee Scientific Corporation	4,016	1,870	(2,357)	3,529
Segment assets	52,723	16,767		69,490
Expenditures for segment assets	2,259	309		2,568
Revenues (excluding intersegment) from customers in foreign countries	1,169	25,730		26,899

**Table of Contents****Note 10 Purchase of Noncontrolling Interest**

On June 24, 2013, the Company entered into an Agreement (the Agreement) whereby it purchased the 49% minority ownership of its subsidiary, Kewaunee Labway Asia Pte. Ltd. (the Subsidiary) for a total purchase price of \$3,555,000. The purchase was recorded in the consolidated balance sheet as a \$1,874,000 reduction in retained earnings, a \$1,681,000 reduction in noncontrolling interest, an increase of other current accrued expenses of \$887,500, and an increase of other non-current liabilities of \$887,500. On the date of the Agreement, the Company paid cash of \$1,780,000 to the minority stockholder. In June 2014, the Company paid the second installment of \$887,500. The final installment of \$887,500 was paid in June 2015. The Subsidiary and its subsidiary in India, Kewaunee Labway India Pvt. Ltd., serve as the Company's principal sales and distribution organization for sales to international customers.

**Note 11 Consolidated Quarterly Data (Unaudited)**

Selected quarterly financial data for fiscal years 2017 and 2016 were as follows:

\$ in thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Fiscal Year 2017</b>				
Net sales	\$ 37,279	\$ 36,329	\$ 30,371	\$ 34,579
Gross profit	7,139	7,104	5,032	7,332
Net earnings	1,330	1,537	358	1,395
Less: net earnings attributable to the noncontrolling interest	30	51	17	7
Net earnings attributable to Kewaunee Scientific Corporation	1,300	1,486	341	1,388
Net earnings per share attributable to Kewaunee Scientific Corporation				
Basic	0.48	0.55	0.13	0.51
Diluted	0.48	0.54	0.13	0.51
Cash dividends paid per share	0.13	0.15	0.15	0.15
<b>Fiscal Year 2016</b>				
Net sales	\$ 31,089	\$ 31,037	\$ 32,410	\$ 34,090
Gross profit	5,843	5,532	5,488	6,845
Net earnings	963	707	848	1,359
Less: net earnings attributable to the noncontrolling interest	23	12	18	22
Net earnings attributable to Kewaunee Scientific Corporation	940	695	830	1,337
Net earnings per share attributable to Kewaunee Scientific Corporation				
Basic	0.36	0.26	0.31	0.50
Diluted	0.35	0.26	0.31	0.50
Cash dividends paid per share	0.12	0.13	0.13	0.13

**Table of Contents**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-98963, No. 333-160276, No. 333-176447, and No. 333-213413) of Kewaunee Scientific Corporation of our report dated July 21, 2016 relating to the consolidated financial statements which report appears in this Form 10-K.

/s/ CHERRY BEKAERT LLP

Charlotte, North Carolina

July 21, 2017

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-98963, No. 333-160276, No. 333-176447, and No. 333-213413) of our report dated July 21, 2017 with respect to consolidated financial statements of Kewaunee Scientific Corporation, included in this Annual Report (Form 10-K) for the year ended April 30, 2017.

/s// Ernst & Young LLP

Charlotte, North Carolina

July 21, 2017

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

**Item 9A. Controls and Procedures**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are intended to ensure that the information required to be disclosed in our filings under the Securities Exchange Act of 1934 (the Exchange Act ) is properly and timely recorded, processed, summarized, and reported. Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures as of April 30, 2017 pursuant to Exchange Act Rule 13a-14. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were not effective as of April 30, 2017 because of the material weakness in our internal control over financial reporting described below. In designing disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives, and that management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

**Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation as of April 30, 2017, management identified the material weakness set forth below in the Company's internal control over financial reporting.

Management did not design and maintain a global revenue recognition policy or design and implement controls to monitor the revenue recognition policies utilized by its operating segments resulting in the misapplication of certain aspects of the Company's multi-element and percentage of completion revenue recognition policies.

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The control deficiency did not result in a material misstatement to the Company's consolidated financial statements for the year ended April 30, 2017. However, the control deficiency could result in misstatements of financial statement account balances or disclosures that could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

Management has taken action and will continue to take action to remediate the design deficiency by improving the Company's global accounting policy for revenue recognition, training global accounting personnel on the Company's global accounting policy and enhancing existing monitoring controls. However, because of the deficiency identified management concluded that the Company did not maintain effective internal controls over financial reporting as of April 30, 2017.

**Table of Contents**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report.

**Changes in Internal Control Over Financial Reporting**

There have been no significant changes in our internal controls over financial reporting that occurred during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**Item 9B. Other Information**

None.

**Table of Contents**

## PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

- (a) The information appearing in the sections entitled Election of Directors and Meetings and Committees of the Board included in our Proxy Statement for use in connection with our annual meeting of stockholders to be held on August 30, 2017 (the Proxy Statement) is incorporated herein by reference. The Proxy Statement will be filed with the SEC within 120 days of our most recently completed fiscal year.
- (b) The names and ages of our executive officers as of July 12, 2017 and their business experience during the past five years are set forth below:

Executive Officers

Name	Age	Position
David M. Rausch	58	President and Chief Executive Officer
Thomas D. Hull III	41	Vice President, Finance, Chief Financial Officer, Treasurer and Secretary
Dana L. Dahlgren	61	Vice President, Sales and Marketing Americas
Elizabeth D. Phillips	40	Vice President, Human Resources
Kurt P. Rindoks	59	Vice President, Product Development and International Sourcing
Michael G. Rok	51	Vice President, Manufacturing Operations
Boopathy Sathyamurthy	48	Vice President, Kewaunee Scientific Corporation Singapore Pte. Ltd. Managing Director, International Operations

*David M. Rausch* has served as President and Chief Executive Officer since July 1, 2013. He joined the Company in March 1994 as Manager of Estimating and was promoted to Southeast Regional Sales Manager in December 1996, then to Director of Sales for Network Storage Systems products in May 2000. In August 2001, he was promoted to Project Sales Manager, and in this position, he also had direct management responsibility for the Estimating Department. Mr. Rausch was elected Director of Contract Management in June 2004 and elected Vice President of Construction Services in June 2007. In June 2011, he was elected Senior Vice President of Construction Services and General Manager of the Laminate Furniture Division, and in March 2012, he was elected President and Chief Operating Officer.

*Thomas D. Hull III* joined the Company in November 2015 as Vice President, Finance, Chief Financial Officer, Treasurer and Secretary. Mr. Hull held several management positions with Ernst & Young in Pittsburgh, Pennsylvania from 1998 through 2011. From 2011, he served as the Vice President of Finance, Accounting, and Information Technology with ATI Specialty Materials in Charlotte, North Carolina.

*Dana L. Dahlgren* joined the Company in November 1989 as a Regional Sales Manager and was promoted to Director of Sales and Marketing of the Laboratory Products Group in September 1998. Mr. Dahlgren was elected Vice President of Sales and Marketing of the Laboratory Products Group in June 2004 and was elected Vice President of Sales and Marketing Americas in April 2014.

*Elizabeth D. Phillips* joined the Company in August 2006 as Human Resources and Training Manager. She was promoted to Director of Human Resources in June 2007 and was elected Vice President of Human Resources in June 2009. Prior to joining the Company, she was Director of Human Resources for Vanguard Furniture Co., Inc., a manufacturer of household furniture, from April 2004 until August 2006.



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*Kurt P. Rindoks* joined the Company in January 1985 as an engineer. He was promoted to Director of Product Development in August 1991 and assumed the additional responsibilities of Director of Engineering in July 1995. He has served as Vice President of Engineering and Product Development since September 1996. Since 2004 he has headed the Company's international sourcing efforts and in October 2016 was named Vice President Engineering and International Sourcing. Additionally, from May 1998 through October 2001, he served as General Manager of the Company's Resin Materials Division.

**Table of Contents**

*Michael G. Rok* joined the Company in May 2016 as Vice President of Manufacturing Operations. Prior to joining the Company, Mr. Rok worked for Danaher Corporation from March 2002 to April 2016, serving in various Manufacturing/Operations leadership roles for the KaVo Kerr Group and Veeder-Root Company. Mr. Rok most recently served as the Vice President of Operations, North American for KaVo Kerr Group.

*Boopathy Sathyamurthy* was elected Vice President of Kewaunee Scientific Corporation Singapore Pte. Ltd., the holding company for Kewaunee's subsidiaries in India, Singapore, and China, in September 2014. He has served as Managing Director of International Operations, which includes responsibilities for all sales and operations in Asia, as well as sales efforts in the Middle East, since September 2013. Mr. Sathyamurthy joined the Kewaunee organization in 2000 as General Manager of India Operations and Kewaunee Labway India Pvt. Ltd. He was subsequently promoted to Managing Director of Kewaunee Labway India Pvt. Ltd. and Kewaunee Scientific Corporation India Pvt. Ltd.

**Section 16(a) Beneficial Ownership Reporting Compliance**

The information appearing in the section entitled "Securities Ownership of Certain Beneficial Owners" Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement is incorporated herein by reference.

**Code of Ethics**

A copy of our code of ethics that applies to our Chief Executive Officer and Chief Financial Officer, entitled "Ethics Obligations for Chief Executive Officer and Employees with Financial Reporting Responsibilities," is available free of charge through our website at [www.kewaunee.com](http://www.kewaunee.com).

**Audit Committee**

The information appearing in the section entitled "Election of Directors" Meetings and Committees of the Board" in our Proxy Statement is incorporated herein by reference.

**Item 11. Executive Compensation**

The information appearing in the sections entitled "Compensation Discussion and Analysis," "Compensation Tables," "Agreements with Certain Executives," and "Election of Directors" Compensation Committee Interlocks and Insider Participation" in the Proxy Statement is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information appearing in the sections entitled "Security Ownership of Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in the Proxy Statement is incorporated herein by reference.

The following table sets forth certain information as of April 30, 2017 with respect to compensation plans under which our equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans approved by Security Holders:			
2008 Key Employee Stock Option Plan	170,350	\$ 17.34	255,100

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2010 Stock Option Plan for Directors	10,000	\$	16.48	25,000
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Equity Compensation Plans not approved by Security Holders:  
Refer to Note 5 of the Company's consolidated financial statements for additional information.

**Table of Contents**

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information appearing in the sections entitled "Election of Directors" and "Agreements with Certain Executives" in the Proxy Statement is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

The information appearing in the section entitled "Ratification of Appointment of Independent Registered Public Accounting Firm - Audit Fees and Non-Audit Fees" in the Proxy Statement is incorporated herein by reference.

**Table of Contents**

## PART IV

**Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed or incorporated by reference as part of this Annual Report:

	<b>Page</b>
<b>(a)(1) <u>Consolidated Financial Statements</u></b>	
Report of Independent Registered Public Accounting Firm Ernst & Young LLP	17
Report of Independent Registered Public Accounting Firm Cherry Bekaert LLP	18
Consolidated Statements of Operations Years ended April 30, 2017, 2016 and 2015	19
Consolidated Statements of Comprehensive Income Years ended April 30, 2017, 2016 and 2015	19
Consolidated Statements of Stockholders Equity Years ended April 30, 2017, 2016 and 2015	20
Consolidated Balance Sheets April 30, 2017 and 2016	21
Consolidated Statements of Cash Flows Years ended April 30, 2017, 2016 and 2015	22
Notes to Consolidated Financial Statements	23
Consents of Independent Registered Public Accounting Firms	39
<b>(a)(2) <u>Consolidated Financial Statement Schedules</u></b>	
Financial statement schedules have been omitted because the information required has been separately disclosed in the consolidated financial statements or related notes.	
<b>(a)(3) <u>Exhibits</u></b>	
Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index, which is attached hereto at pages 46 through 48 and which is incorporated herein by reference.	

**Table of Contents**

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KEWAUNEE SCIENTIFIC CORPORATION

By: /s/ David M. Rausch  
 David M. Rausch  
 President and Chief Executive Officer

Date: July 21, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant and in the capacities and on the dates indicated have signed this report below.

(i)	Principal Executive Officer	)
		)
	/s/ David M. Rausch	)
	David M. Rausch	)
	President and Chief Executive Officer	)
		)
(ii)	Principal Financial and Accounting Officer	)
		)
	/s/ Thomas D. Hull III	)
	Thomas D. Hull III	)
	Vice President, Finance	)
	Chief Financial Officer,	)
	Treasurer and Secretary	)
		)
(iii)	A majority of the Board of Directors:	) July 21, 2017
		)
		)
	/s/ Keith M. Gehl	)
	Keith M. Gehl	)
	/s/ John D. Russell	)
	John D. Russell	)
		)
	/s/ Margaret B. Pyle	)
	Margaret B. Pyle	)
	/s/ Donald F. Shaw	)
	Donald F. Shaw	)
		)
	/s/ David M. Rausch	)
	David M. Rausch	)
	/s/ William A. Shumaker	)
	William A. Shumaker	)
		)
	/s/ David S. Rhind	)
	David S. Rhind	)
		)
		)

**Table of Contents**

KEWAUNEE SCIENTIFIC CORPORATION

Exhibit Index

Articles of Incorporation and Bylaws

Restated Certificate of Incorporation (as amended)

By-Laws (as amended as December 9, 2015)

Material Contracts

\* Re-Established Retirement Plan for Salaried Employees of Kewaunee Scientific Corporation (as amended and restated effective as of May 1, 2012)

A\* First Amendment to the Re-Established Retirement Plan for Salaried Employees of Kewaunee Scientific Corporation

B\* Second Amendment to the Re-Established Retirement Plan for Salaried Employees of Kewaunee Scientific Corporation

C\* Third Amendment to the Re-Established Retirement Plan for Salaried Employees of Kewaunee Scientific Corporation

\* Re-Established Retirement Plan for Hourly Employees of Kewaunee Scientific Corporation (as amended and restated effective as of May 1, 2012)

A\* First Amendment to the Re-Established Retirement Plan for Hourly Employees of Kewaunee Scientific Corporation

B\* Second Amendment to the Re-Established Retirement Plan for Hourly Employees of Kewaunee Scientific Corporation

C\* Third Amendment to the Re-Established Retirement Plan for Hourly Employees of Kewaunee Scientific Corporation

30\* Kewaunee Scientific Corporation Executive Severance Pay Policy

34\* 401(k) Incentive Savings Plan for Salaried and Hourly Employees of Kewaunee Scientific Corporation (as amended and restated effective June 29, 2015)

40\* Change of Control Employment Agreement restated as of December 4, 2008 between

Dana L. Dahlgren and the Company

40B\* Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of Dana L. Dahlgren

41\* Change of Control Employment Agreement restated as of December 4, 2008 between

Kurt P. Rindoks and the Company

41B\* Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of Kurt P. Rindoks

51\* Amended and Restated 2008 Key Employee Stock Option Plan effective August 26, 2015

53\* Change of Control Employment Agreement restated as of December 4, 2008 between Elizabeth D. Phillips and the Company

53B\* Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of Elizabeth D. Phillips

54\* Offer Letter to Thomas D. Hull dated October 14, 2015

55\* Change of Control Employment Agreement dated as of November 2, 2015 between Kewaunee Scientific Corporation and Thomas D. Hull

**Table of Contents**

Michael G. Rok dated March 16, 2016

Control Employment Agreement dated as of May 2, 2016 between Kewaunee Scientific Corporation and Michael G. Rok

Scientific Corporation 2010 Stock Option Plan for Directors

Security Agreement dated as of May 6, 2013 between Wells Fargo Bank, National Association and Kewaunee Scientific Corporation including the forms of notes executed to Credit and Security Agreement dated July 9, 2013

Agreement to Credit and Security Agreement dated June 10, 2014

Agreement to Credit and Security Agreement and First Amendment to Revolving Line of Credit Note dated as of June 3, 2015

Amended Change of Control Employment Agreement, dated August 27, 2014, between the Company and David M. Rausch

2016 Incentive Bonus Plan

Executive Deferred Compensation Plan (as amended and restated January 1, 2009)

Appendix One to the Kewaunee Scientific Corporation 401Plus Executive Deferred Compensation Plan

Equalization Plan (as amended and restated January 1, 2009)

Appendix One to the Kewaunee Scientific Corporation Pension Equalization Plan

2017 Incentive Bonus Plan

Cherry Bekaert LLP dated June 28, 2016

of the Company

of July 21, 2017 of Cherry Bekaert LLP, Independent Registered Public Accounting Firm (incorporated by reference to page 39 of this Report on Form 10-K)

of July 21, 2017 of Ernst & Young LLP, Independent Registered Public Accounting Firm (incorporated by reference to page 39 of this Report on Form 10-K)

Principal Executive Officer of the Company pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)

Principal Financial Officer of the Company pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)

Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit Document

Exhibit Document

Exhibit Document

Exhibit Document

Exhibit Document

Exhibit Document



**Table of Contents**

\* The referenced exhibit is a management contract or compensatory plan or arrangement.  
(All other exhibits are either inapplicable or not required.)

Footnotes

- (1) Filed with this Form 10-K with the Securities and Exchange Commission.
- (2) Filed as an exhibit to the Kewaunee Scientific Corporation Annual Report to the Securities and Exchange Commission on Form 10-K (Commission File No. 0-5286) for the fiscal year ended April 30, 1985, and incorporated herein by reference.
- (3) Filed as an exhibit to the Kewaunee Scientific Corporation Quarterly Report to the Securities and Exchange Commission on Form 10-Q (Commission File No. 0-5286) for the quarterly period ended October 31, 2005 and incorporated herein by reference.
- (4) Filed as an exhibit to the Kewaunee Scientific Corporation Annual Report to the Securities and Exchange Commission on Form 10-K (Commission File No. 0-5286) for the fiscal year ended April 30, 2009, and incorporated herein by reference.
- (5) Filed as Appendix A to the Kewaunee Scientific Corporation Proxy Statement for its Annual Meeting of Stockholders on August 25, 2010 (Commission File No. 0-5286) filed on July 23, 2010, and incorporated herein by reference.
- (6) Filed as an exhibit to the Kewaunee Scientific Corporation Quarterly Report to the Securities and Exchange Commission on Form 10-Q (Commission File No. 0-5286) for the quarterly period ended October 31, 2012, and incorporated herein by reference.
- (7) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on May 9, 2013, and incorporated herein by reference.
- (8) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on July 11, 2013, and incorporated herein by reference.
- (9) Filed as an exhibit to the Kewaunee Scientific Corporation Annual Report to the Securities and Exchange Commission on Form 10-K (Commission File No. 0-5286) for the fiscal year ended April 30, 2014, and incorporated herein by reference.
- (10) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on September 2, 2014, and incorporated herein by reference.
- (11) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on June 3, 2015, and incorporated herein by reference.
- (12) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on June 29, 2015 and incorporated herein by reference.
- (13) Filed as an exhibit to the Kewaunee Scientific Corporation Annual Report to the Securities and Exchange Commission on Form 10-K (Commission File No. 0-5286) for the fiscal year ended April 30, 2015, and incorporated herein by reference.
- (14) Filed as Appendix A to the Kewaunee Scientific Corporation Proxy Statement for its Annual Meeting of Stockholders on August 28, 2015 (Commission File No. 0-5286) filed on July 24, 2015, and incorporated herein by reference.
- (15) Filed as an exhibit to the Kewaunee Scientific Corporation Quarterly Report to the Securities and Exchange Commission on Form 10-Q (Commission File No. 0-5286) for the quarterly period ended October 31, 2015 and incorporated herein by reference.
- (16) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on form 8-K (Commission File No. 0-5286) filed on November 3, 2015 and incorporated herein by reference.
- (17) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on form 8-K (Commission File No. 0-5286) filed on December 10, 2015 and incorporated herein by reference.
- (18) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on June 24, 2016, and incorporated herein by reference.
- (19) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on June 28, 2016, and incorporated herein by reference.
- (20) Filed as an exhibit to the Kewaunee Scientific Corporation Annual Report to the Securities and Exchange Commission on Form 10-K (Commission File No. 0-5286) for the fiscal year ended April 30, 2016, and incorporated herein by reference.
- (21) Filed as an exhibit to the Kewaunee Scientific Corporation Quarterly Report to the Securities and Exchange Commission on Form 10-Q (Commission File No. 0-5286) for the quarterly period ended January 31, 2017 and incorporated herein by reference.