

SIFCO INDUSTRIES INC
Form 10-Q
February 19, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended December 31, 2018

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 1-5978

SIFCO Industries, Inc.
(Exact name of registrant as specified in its charter)

Ohio 34-0553950
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

970 East 64th Street, Cleveland Ohio 44103
(Address of principal executive offices) (Zip Code)
(216) 881-8600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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Exchange Act.

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

The number of the Registrant's Common Shares outstanding at December 31, 2018 was 5,736,104.

Part I. Financial Information

Item 1. Financial Statements

SIFCO Industries, Inc. and Subsidiaries

Consolidated Condensed Statements of Operations

(Unaudited)

(Amounts in thousands, except per share data)

	Three Months	
	Ended	
	December 31,	
	2018	2017
Net sales	\$29,067	\$24,251
Cost of goods sold	26,330	22,222
Gross profit	2,737	2,029
Selling, general and administrative expenses	4,111	4,072
Amortization of intangible assets	414	425
Gain on disposal or impairment of operating assets	(282)	(1,400)
Operating loss	(1,506)	(1,068)
Interest income	(1)	(9)
Interest expense	292	444
Foreign currency exchange gain, net	(1)	(36)
Other income, net	—	(316)
Loss before income tax benefit	(1,796)	(1,151)
Income tax benefit	(514)	(240)
Net loss	\$(1,282)	\$(911)
Net loss per share		
Basic	\$(0.23)	\$(0.17)
Diluted	\$(0.23)	\$(0.17)

Weighted-average number of common shares (basic) 5,535 5,502

Weighted-average number of common shares (diluted) 5,535 5,502

See notes to unaudited consolidated condensed financial statements.

SIFCO Industries, Inc. and Subsidiaries
 Consolidated Condensed Statements of Comprehensive Loss
 (Unaudited)
 (Amounts in thousands)

	Three Months Ended December 31,	
	2018	2017
Net loss	\$(1,282)	\$(911)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(428)	296
Retirement plan liability adjustment	107	162
Interest rate swap agreement adjustment	—	20
Comprehensive loss	\$(1,603)	\$(433)

See notes to unaudited consolidated condensed financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Condensed Balance Sheets
(Amounts in thousands, except per share data)

	December 31, 2018 (unaudited)	September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 921	\$ 1,252
Receivables, net of allowance for doubtful accounts of \$521 and \$520, respectively	25,839	28,001
Contract asset	10,262	—
Other receivables	1,360	—
Inventories, net	11,813	18,269
Refundable income taxes	564	126
Prepaid expenses and other current assets	1,458	1,900
Assets held for sale	—	35
Total current assets	52,217	49,583
Property, plant and equipment, net	33,769	35,390
Intangible assets, net	4,611	5,076
Goodwill	11,816	12,020
Other assets	175	168
Total assets	\$ 102,588	\$ 102,237
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 6,238	\$ 5,944
Revolver	20,982	21,253
Accounts payable	14,213	15,513
Accrued liabilities	5,167	5,107
Total current liabilities	46,600	47,817
Long-term debt, net of current maturities	1,944	2,332
Deferred income taxes	2,332	2,413
Pension liability	5,221	5,339
Other long-term liabilities	70	147
Shareholders' equity:		
Serial preferred shares, no par value, authorized 1,000 shares	—	—
Common shares, par value \$1 per share, authorized 10,000 shares; issued and outstanding shares –5,736 at December 31, 2018 and 5,690 at September 30, 2018	5,736	5,690
Additional paid-in capital	10,221	10,031
Retained earnings	39,414	37,097
Accumulated other comprehensive loss	(8,950) (8,629)
Total shareholders' equity	46,421	44,189
Total liabilities and shareholders' equity	\$ 102,588	\$ 102,237
See notes to unaudited consolidated condensed financial statements.		

SIFCO Industries, Inc. and Subsidiaries
 Consolidated Condensed Statements of Cash Flows
 (Unaudited, Amounts in thousands)

	Three Months Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(1,282)	\$(911)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,930	2,191
Amortization and write-off of debt issuance cost	11	