

CECO ENVIRONMENTAL CORP
Form 10-Q
August 12, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____ to _____

Commission File No. 000-07099

CECO ENVIRONMENTAL CORP.

(Exact name of registrant as specified in its charter)

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Delaware **13-2566064**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification No.)**
4625 Red Bank Road, Suite 200, Cincinnati, Ohio 45227

(Address of principal executive offices) (Zip Code)

513-458-2600

(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 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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of latest practical date.

Class: Common, par value \$.01 per share outstanding at August 8, 2011 14,341,997

CECO ENVIRONMENTAL CORP.

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

JUNE 30, 2011

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CECO ENVIRONMENTAL CORP.**Part I. Financial Information****ITEM 1. Financial Statements****CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)**

Dollars in thousands, except per share data

	JUNE 30, 2011	DECEMBER 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,439	\$ 5,792
Accounts receivable, net	20,061	26,772
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 4)	10,569	8,345
Inventories, net (Note 3)	5,381	4,432
Prepaid expenses and other current assets	2,819	2,509
Assets held for sale (Note 17)	0	526
Current assets of discontinued operations (Note 16)	67	76
Total current assets	47,336	48,452
Property and equipment, net	5,643	5,880
Goodwill (Note 5)	14,776	14,713
Intangibles finite life, net (Note 5)	715	966
Intangibles indefinite life (Note 5)	3,233	3,225
Deferred income tax asset, net	602	602
Deferred charges and other assets	754	953
	\$ 73,059	\$ 74,791
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current debt (Note 8)	\$ 317	\$ 0
Accounts payable and accrued expenses	14,337	17,041
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 4)	5,496	7,810
Accrued income taxes	1,158	1,646
Total current liabilities	21,308	26,497
Other liabilities	2,322	2,320
Convertible subordinated notes (including related parties notes of \$3,950) (Note 8)	10,600	10,800
Total liabilities	34,230	39,617
Shareholders equity:		
Preferred stock, \$.01 par value; 10,000 shares authorized, none issued		
Common stock, \$.01 par value; 100,000,000 shares authorized, 14,479,917 and 14,456,659 shares issued in 2011 and 2010, respectively	145	144
Capital in excess of par value	43,463	43,237
Accumulated deficit	(3,032)	(6,243)
Accumulated other comprehensive loss	(1,391)	(1,608)

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	39,185	35,530
Less treasury stock, at cost, 137,920 shares in 2011 and 2010	(356)	(356)
Total shareholders' equity	38,829	35,174
	\$ 73,059	\$ 74,791

The notes to condensed consolidated financial statements are an integral part of the above statements.

CECO ENVIRONMENTAL CORP.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

Dollars in thousands, except per share data

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2011	2010	2011	2010
Net sales	\$ 32,537	\$ 34,776	\$ 68,493	\$ 69,797
Cost of sales	23,839	26,377	51,322	53,381
Gross profit	8,698	8,399	17,171	16,416
Selling and administrative Amortization	5,741 112	6,904 125	11,688 223	14,138 260
Income from operations	2,845	1,370	5,260	2,018
Other income, (expense) net	360	32	333	(53)
Interest expense (including related party interest of \$59 and \$59, and \$118 and \$118, respectively)	(284)	(308)	(574)	(601)
Income from continuing operations before income taxes	2,921	1,094	5,019	1,364
Income tax expense	968	417	1,808	520
Income from continuing operations	1,953	677	3,211	844
Loss from discontinued operations, net of tax (Note 16)	0	(95)	0	(165)
Net income	\$ 1,953	\$ 582	\$ 3,211	\$ 679
Per share data:				
Basic income from continuing operations	\$ 0.14	\$ 0.05	\$ 0.22	\$ 0.06
Basic loss from discontinued operations	(0.00)	(0.01)	(0.00)	(0.01)
Basic net income	\$ 0.14	\$ 0.04	\$ 0.22	\$ 0.05
Diluted income from continuing operations	\$ 0.12	\$ 0.05	\$ 0.20	\$ 0.06
Diluted loss from discontinued operations	(0.00)	(0.01)	(0.00)	(0.01)
Diluted net income	\$ 0.12	\$ 0.04	\$ 0.20	\$ 0.05
Weighted average number of common shares outstanding:				
Basic	14,334,116	14,304,047	14,324,040	14,299,598
Diluted	17,141,633	17,111,818	17,117,440	14,393,750

The notes to condensed consolidated financial statements are an integral part of the above statements.

CECO ENVIRONMENTAL CORP.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

Dollars in thousands

	SIX MONTHS ENDED	
	JUNE 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 3,211	\$ 679
Net loss from discontinued operations	0	(165)
Net income from continuing operations	3,211	844
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	746	885
Amortization of deferred financing fees	46	63
Gain on sale of operating equipment	0	(8)
Share based compensation expense	387	511
Bad debt expense	146	132
Provision for inventory obsolescence	149	0
Changes in operating assets and liabilities:		
Accounts Receivable	6,565	3,533
Inventories	(1,098)	(335)
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,224)	546
Prepaid expenses and other current assets	(310)	746
Deferred charges and other assets	153	237
Accounts payable and accrued expenses	(2,704)	(4,718)
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,314)	(3,231)
Accrued income taxes	(488)	0
Other liabilities	146	80
Net cash provided by (used in) continuing operating activities	2,411	(715)
Net cash provided by discontinued operating activities	9	779