

FLEXSTEEL INDUSTRIES INC  
Form 10-Q  
February 09, 2016

**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, 2015

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 **0-5151**

FLEXSTEEL INDUSTRIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Incorporated in State of Minnesota 42-0442319  
(State or other Jurisdiction of (I.R.S. Identification No.)  
Incorporation or Organization)

385 BELL STREET

DUBUQUE, IOWA 52001-0877

(Address of Principal Executive Offices) (Zip Code)

(563) 556-7730

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

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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

Common Stock - \$1.00 Par Value

Shares Outstanding as of January 28, 2016 7,610,971

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Amounts in thousands, except share and per share data)

	December 31, 2015	June 30, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$329	\$1,282
Trade receivables – less allowances: December 31, 2015, \$1,350; June 30, 2015, \$1,400	49,779	45,101
Inventories	111,197	113,842
Deferred income taxes	5,140	4,220
Other	11,321	6,777
Total current assets	177,766	171,222
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment, net	66,643	64,770
Deferred income taxes	—	1,870
Other assets	3,470	6,757
<b>TOTAL</b>	<b>\$247,879</b>	<b>\$244,619</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable – trade	\$15,859	\$18,329
Notes payable – current	5,945	11,904
Accrued liabilities:		
Payroll and related items	5,749	7,931
Insurance	5,098	4,308
Other	11,378	8,848
Total current liabilities	44,029	51,320
<b>LONG-TERM LIABILITIES:</b>		
Supplemental retirement plans	1,705	2,915
Other liabilities	4,530	3,637
Total liabilities	50,264	57,872

SHAREHOLDERS' EQUITY:

Cumulative preferred stock – \$50 par value; authorized 60,000 shares; outstanding – none		
Undesignated (subordinated) stock – \$1 par value; authorized 700,000 shares; outstanding – none		
Common stock – \$1 par value; authorized 15,000,000 shares; outstanding December 31, 2015, 7,610,971 shares;	7,611	7,480
outstanding June 30, 2015, 7,480,367 shares		
Additional paid-in capital	21,075	18,827
Retained earnings	170,575	162,176
Accumulated other comprehensive loss	(1,646 )	(1,736 )
Total shareholders' equity	197,615	186,747
TOTAL	\$247,879	\$244,619

See accompanying Notes to Consolidated Financial Statements (Unaudited).

## FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Amounts in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
NET SALES	\$125,410	\$114,386	\$251,942	\$223,052
COST OF GOODS SOLD	(97,726)	(87,292)	(196,389)	(170,439)
GROSS MARGIN	27,684	27,094	55,553	52,613
SELLING, GENERAL AND ADMINISTRATIVE LITIGATION SETTLEMENT REIMBURSEMENTS	(19,500)	(19,592)	(37,990)	(37,982)
OPERATING INCOME	8,434	7,502	17,813	14,631
OTHER INCOME (EXPENSE):				
Other income	116	86	67	707
Interest expense	(24)	(34)	(61)	(36)
Total	92	52	6	671
INCOME BEFORE INCOME TAXES	8,526	7,554	17,819	15,302
INCOME TAX PROVISION	(3,160)	(2,870)	(6,690)	(5,740)
NET INCOME	\$5,366	\$4,684	\$11,129	\$9,562
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	7,575	7,417	7,541	7,395
Diluted	7,821	7,694	7,774	7,672
EARNINGS PER SHARE OF COMMON STOCK:				
Basic	\$0.71	\$0.63	\$1.48	\$1.29
Diluted	\$0.69	\$0.61	\$1.43	\$1.25
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$0.18	\$0.18	\$0.36	\$0.36

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
NET INCOME	\$5,366	\$4,684	\$11,129	\$9,562
OTHER COMPREHENSIVE INCOME (LOSS):				
	669	107	402	78

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UNREALIZED GAIN ON SECURITIES IN SUPPLEMENTAL RETIREMENT PLANS				
RECLASSIFICATION OF REALIZED LOSS ON SUPPLEMENTAL RETIREMENT PLANS TO OTHER INCOME	(348 )	(54 )	(256 )	(199 )
OTHER COMPREHENSIVE INCOME (LOSS) BEFORE TAXES	321	53	146	(121 )
INCOME TAX (EXPENSE) BENEFIT RELATED TO SUPPLEMENTAL RETIREMENT PLANS LOSS	(122 )	(20 )	(56 )	46
OTHER COMPREHENSIVE GAIN (LOSS), NET OF TAX	199	33	90	(75 )
COMPREHENSIVE INCOME	\$5,565	\$4,717	\$11,219	\$9,487

See accompanying Notes to Consolidated Financial Statements (Unaudited).

## FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)

	Six Months Ended December 31,	
	2015	2014
<b>OPERATING ACTIVITIES:</b>		
Net income	\$11,129	\$9,562
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,590	2,201
Deferred income taxes	1,805	(184 )
Stock-based compensation expense	728	1,185
Excess tax (benefit) expense from share-based payments	(687 )	41
Change in provision for losses on accounts receivable	(50 )	8
Loss (gain) on disposition of capital assets	12	(21 )
Gain on life insurance policies	(346 )	—
Changes in operating assets and liabilities:		
Trade receivables	(4,628 )	(4,976 )
Inventories	2,645	(11,460)
Other current assets	(3,809 )	(3,046 )
Other assets	—	(452 )
Accounts payable – trade	(2,117 )	2,781
Accrued liabilities	301	(1,416 )
Supplemental retirement plans	695	310
Other long-term liabilities	(17 )	(135 )
Net cash provided by (used in) operating activities	9,251	(5,602 )
<b>INVESTING ACTIVITIES:</b>		
Purchases of investments	(1,294 )	(1,546 )
Proceeds from sales of investments	1,097	1,309