

GENCOR INDUSTRIES INC
Form 10-Q
May 03, 2019
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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 MARCH 31, 2019

OR

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

FOR THE TRANSITION PERIOD: From _____ to _____

Commission File Number: 001-11703

GENCOR INDUSTRIES, INC.

Delaware
(State or other jurisdiction of
incorporation or organization)

59-0933147
(IRS Employer
Identification No.)

5201 North Orange Blossom Trail, Orlando, Florida
(Address of principal executive offices)
(407) 290-6000

32810
(Zip Code)

(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 every Interactive Data File required to be submitted 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 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 the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

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 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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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

Class	Outstanding at May 1, 2019
Common stock, \$.10 par value	12,252,337 shares
Class B stock, \$.10 par value	2,288,857 shares

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading	Name of each exchange on which registered
Common Stock (\$.10 Par Value)	Symbol(s) GENC	NASDAQ Global Market

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Introductory Note: Caution Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q and the Company's other communications and statements may contain forward-looking statements, including statements about the Company's beliefs, plans, objectives, goals, expectations, estimates, projections and intentions. These statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond the Company's control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "target," "goal," and similar expressions are intended to identify forward-looking statements. All forward-looking statements, by their nature, are subject to risks and uncertainties. The Company's actual future results may differ materially from those set forth in its forward-looking statements. For information concerning these factors and related matters, see Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Report, and the following sections of the Company's Annual Report on Form 10-K for the year ended September 30, 2018: (a) Risk Factors in Part I, and (b) Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II. However, other factors besides those referenced could adversely affect the Company's results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by the Company herein speak as of the date of this Quarterly Report. The Company does not undertake to update any forward-looking statements, except as required by law.

Unless the context otherwise indicates, all references in this Quarterly Report to the Company, Gencor, we, us, or or similar words are to Gencor Industries, Inc. and its subsidiaries.

Table of Contents**Part I. Financial Information****GENCOR INDUSTRIES, INC.****Condensed Consolidated Balance Sheets**

	March 31, 2019 (Unaudited)	September 30, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,586,000	\$ 8,012,000
Marketable securities at fair value (cost \$103,629,000 at March 31, 2019 and \$103,751,000 at September 30, 2018)	103,156,000	104,058,000
Accounts receivable, less allowance for doubtful accounts of \$285,000 at March 31, 2019 and \$313,000 at September 30, 2018	2,412,000	993,000
Costs and estimated earnings in excess of billings	14,013,000	11,900,000
Inventories, net	20,139,000	18,214,000
Prepaid expenses and other current assets	926,000	1,904,000
Total Current Assets	152,232,000	145,081,000
Property and equipment, net	8,366,000	7,889,000
Other assets	53,000	53,000
Total Assets	\$ 160,651,000	\$ 153,023,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 2,155,000	\$ 1,838,000
Customer deposits	4,020,000	4,563,000
Accrued expenses	2,287,000	2,085,000
Total Current Liabilities	8,462,000	8,486,000
Deferred and other income taxes	2,202,000	2,358,000
Total Liabilities	10,664,000	10,844,000
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, par value \$.10 per share; 300,000 shares authorized; none issued		
Common stock, par value \$.10 per share; 15,000,000 shares authorized; 12,252,337 shares issued and outstanding at March 31, 2019 and September 30, 2018	1,225,000	1,225,000
	229,000	229,000

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Class B Stock, par value \$.10 per share; 6,000,000 shares authorized; 2,288,857 shares issued and outstanding at March 31, 2019 and September 30, 2018		
Capital in excess of par value	11,897,000	11,862,000
Retained earnings	136,636,000	128,863,000
Total Shareholders Equity	149,987,000	142,179,000
Total Liabilities and Shareholders Equity	\$ 160,651,000	\$ 153,023,000

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**GENCOR INDUSTRIES, INC.****Condensed Consolidated Statements of Income***(Unaudited)*

	For the Quarters Ended March 31,		For the Six Months Ended March 31,	
	2019	2018	2019	2018
Net revenue	\$ 26,670,000	\$ 30,829,000	\$ 47,997,000	\$ 53,951,000
Costs and expenses:				
Production costs	16,759,000	22,059,000	33,169,000	40,098,000
Product engineering and development	823,000	758,000	1,546,000	1,458,000
Selling, general and administrative	2,474,000	2,921,000	4,664,000	5,613,000
	20,056,000	25,738,000	39,379,000	47,169,000
Operating income	6,614,000	5,091,000	8,618,000	6,782,000
Other income (expense), net:				
Interest and dividend income, net of fees	507,000	383,000	1,041,000	676,000
Net realized and unrealized gains (losses) on marketable securities	2,204,000	(719,000)	57,000	(558,000)
Other		3,000		7,000
	2,711,000	(333,000)	1,098,000	125,000
Income before income tax expense	9,325,000	4,758,000	9,716,000	6,907,000
Income tax expense	1,865,000	994,000	1,943,000	797,000
Net income	\$ 7,460,000	\$ 3,764,000	\$ 7,773,000	\$ 6,110,000
Basic Income per Common Share:				
Net income per share	\$ 0.51	\$ 0.26	\$ 0.53	\$ 0.42
Diluted Income per Common Share:				
Net income per share	\$ 0.51	\$ 0.26	\$ 0.53	\$ 0.41

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**GENCOR INDUSTRIES, INC.****Condensed Consolidated Statements of Shareholders Equity***(Unaudited)***For the Six Months Ended March 31, 2019**

	Common Stock		Class B Stock		Capital in	Retained	Total
	Shares	Amount	Shares	Amount	Excess of	Earnings	Shareholders
					Par Value		Equity
September 30, 2018	12,252,337	\$ 1,225,000	2,288,857	\$ 229,000	\$ 11,862,000	\$ 128,863,000	\$ 142,179,000
Net income						313,000	313,000
Stock-based compensation					17,000		17,000
December 31, 2018	12,252,337	1,225,000	2,288,857	229,000	11,879,000	129,176,000	142,509,000
Net income						7,460,000	7,460,000
Stock-based compensation					18,000		18,000
March 31, 2019	12,252,337	\$ 1,225,000	2,288,857	\$ 229,000	\$ 11,897,000	\$ 136,636,000	\$ 149,987,000

For the Six Months Ended March 31, 2018

	Common Stock		Class B Stock		Capital in	Retained	Total
	Shares	Amount	Shares	Amount	Excess of	Earnings	Shareholders
					Par Value		Equity
September 30, 2017	12,154,829	\$ 1,215,000	2,263,857	\$ 226,000	\$ 11,178,000	\$ 116,299,000	\$ 128,918,000
Net income						2,346,000	2,346,000
Stock-based compensation					18,000		18,000
Stock options exercised	27,008	3,000	25,000	3,000	261,000		267,000
December 31, 2017	12,181,837	1,218,000	2,288,857	229,000	11,457,000	118,645,000	131,549,000
Net income						3,764,000	3,764,000
Stock-based compensation					18,000		18,000
Stock options exercised	15,000	2,000			72,000		74,000
March 31, 2018	12,196,837	\$ 1,220,000	2,288,857	\$ 229,000	\$ 11,547,000	\$ 122,409,000	\$ 135,405,000

See accompanying Notes to Condensed Consolidated Financial Statements

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GENCOR INDUSTRIES, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended	
	March 31,	
	2019	2018
Cash flows from operations:		
Net income	\$ 7,773,000	\$ 6,110,000
Adjustments to reconcile net income to cash provided by operating activities:		
Purchase		