

NATIONAL PRESTO INDUSTRIES INC
Form 10-Q
May 08, 2008

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 September 30, 2007
- 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 1-2451

NATIONAL PRESTO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

WISCONSIN

(State or other jurisdiction of incorporation
or organization)

39-0494170

(I.R.S. Employer Identification No.)

3925 NORTH HASTINGS WAY

EAU CLAIRE, WISCONSIN

(Address of principal executive offices)

54703-3703

(Zip Code)

(Registrant's telephone number, including area code) 715-839-2121

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 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.

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

There were 6,844,916 shares of the Issuer's Common Stock outstanding as of April 27, 2008.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2007 and December 31, 2006

(Unaudited)

(Dollars in thousands)

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| | 2007 | | 2006 | |
|---------------------------------|-----------|------------|-----------|------------|
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | | \$ 12,682 | | \$46,696 |
| Marketable securities | | 106,435 | | 96,920 |
| Accounts receivable, net | | 59,810 | | 65,571 |
| Inventories: | | | | |
| Finished goods | \$ 52,407 | | \$ 24,276 | |
| Work in process | 25,879 | | 22,198 | |
| Raw materials | 6,353 | 84,639 | 9,018 | 55,492 |
| Deferred tax assets | | 7,424 | | 7,466 |
| Other current assets | | 628 | | 1,037 |
| Total current assets | | 271,618 | | 273,182 |
| PROPERTY, PLANT AND EQUIPMENT | 90,385 | | 86,975 | |
| Less allowance for depreciation | 30,530 | 59,855 | 24,416 | 62,559 |
| GOODWILL | | 11,485 | | 9,085 |
| OTHER ASSETS | | 150 | | 150 |
| | | \$ 343,108 | | \$ 344,976 |

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2007 and December 31, 2006

(Unaudited)

(Dollars in thousands)

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| | 2007 | 2006 |
|--|------------|------------|
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 36,795 | \$ 35,424 |
| Federal and state income taxes | 2,612 | 7,029 |
| Accrued liabilities | 25,621 | 20,575 |
| Total current liabilities | 65,028 | 63,028 |
| DEFERRED INCOME TAXES | 1,606 | 1,606 |
| COMMITMENTS AND CONTINGENCIES | | |
| | | |
| STOCKHOLDERS EQUITY | | |
| Common stock, \$1 par value: | | |
| Authorized: 12,000,000 shares Issued: 7,440,518 shares | \$7,441 | \$ 7,441 |
| Paid-in capital | 1,465 | 1,277 |
| Retained earnings | 286,303 | 290,519 |
| Accumulated other comprehensive income (loss) | 58 | (22) |
| | 295,267 | 299,215 |
| Treasury stock, at cost | 18,793 | 18,873 |
| Total stockholders equity | 276,474 | 280,342 |
| | \$ 343,108 | \$ 344,976 |

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

Three Months and Nine Months Ended September 30, 2007 and October 1, 2006

(Unaudited)

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(In thousands except per share data)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|-------------|--------------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net sales | \$99,492 | \$81,531 | \$276,748 | \$184,598 |
| Cost of sales | 81,063 | 65,706 | 230,536 | 154,578 |
| Gross profit | 18,429 | 15,825 | 46,212 | 30,020 |
| Selling and general expenses | 6,573 | 5,918 | 19,647 | 15,999 |
| Operating profit | 11,856 | 9,907 | 26,565 | 14,021 |
| Other income | 1,219 | 1,085 | 4,057 | 4,470 |
| Earnings before provision for income taxes | 13,075 | 10,992 | 30,622 | 18,491 |
| Income tax provision | 4,363 | 3,812 | 9,940 | 5,779 |
| Net earnings | \$8,712 | \$7,180 | \$20,682 | \$12,712 |
| Weighted average shares outstanding: | | | | |
| Basic | 6,837 | 6,832 | 6,835 | 6,831 |
| Diluted | 6,837 | 6,833 | 6,835 | 6,832 |
| Net earnings per share: | | | | |
| Basic | \$1.27 | \$1.05 | \$3.03 | \$1.86 |
| Diluted | \$1.27 | \$1.05 | \$3.03 | \$1.86 |
| Cash dividends declared and paid per common share | \$ | \$ | \$3.80 | \$2.12 |

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2007 and October 1, 2006

(Unaudited)

(Dollars in thousands)

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| | 2007 | | 2006 | |
|---|----------|---|----------|---|
| Cash flows from operating activities: | | | | |
| Net earnings | \$20,682 | | \$12,712 | |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: | | | | |
| Provision for depreciation | 6,301 | | 5,700 | |
| Other | 166 | | 269 | |
| Changes in: | | | | |
| Accounts receivable | 5,482 | | (24,926) |) |
| Inventories | (29,147) |) | (32,537) |) |
| Other current assets | 408 | | 1,066 | |
| Accounts payable and accrued liabilities | 11,083 | | 23,016 | |
| Federal and state income taxes | (3,356) |) | (3,141) |) |
| Net cash provided by (used in) operating activities | 11,619 | | (17,841) |) |
| Cash flows from investing activities: | | | | |
| Marketable securities purchased | (56,168) |) | (15,509) |) |
| Marketable securities - maturities and sales | 46,775 | | 46,645 | |
| Acquisition of property, plant and equipment | (3,775) |) | (5,462) |) |
| Acquisition of businesses | (6,748) |) | (13,834) |) |
| Sale of property, plant and equipment | 200 | | 6 | |
| Net cash provided by (used in) investing activities | (19,716) |) | 11,846 | |
| Cash flows from financing activities: | | | | |
| Dividends paid | (25,958) |) | (14,476) |) |
| Other | 41 | | (24) |) |
| Net cash used in financing activities | (25,917) |) | (14,500) |) |
| Net decrease in cash and cash equivalents | (34,014) |) | (20,495) |) |
| Cash and cash equivalents at beginning of period | 46,696 | | 62,023 | |
| Cash and cash equivalents at end of period | \$12,682 | | \$41,528 | |

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A EARNINGS PER SHARE

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The Company's basic net earnings per share amounts have been computed by dividing net earnings by the weighted average number of outstanding common shares. The Company's diluted net earnings per share is computed by dividing net earnings by the weighted average number of outstanding common shares and common share equivalents relating to stock options, when dilutive.

NOTE B BUSINESS SEGMENTS

In the following summary, operating profit represents earnings before other income, principally interest income and income taxes. The Company's segments operate discretely from each other with no shared manufacturing facilities. Costs associated with corporate activities (such as cash and marketable securities management) and the assets associated with such activities are included within the Housewares/Small Appliances segment for all periods presented.

| | (in thousands) | | | |
|---|----------------------|---------------------|-----------------------|----------|
| | Housewares/ Small | | | |
| | Appliances | Defense Products | Absorbent Products | Total |
| Quarter ended September 30, 2007 | | | | |
| External net sales | \$29,735 | \$53,961 | \$15,796 | \$99,492 |
| Gross profit (loss) | 6,896 | 11,834 | (301) |) 18,429 |
| Operating profit (loss) | 3,276 | 9,104 | (524) |) 11,856 |
| Total assets | 211,473 | 89,223 | 42,412 | 343,108 |
| Depreciation | 190 | 698 | 1,236 | 2,124 |
| Capital expenditures | 227 | 1,389 | (263) |) 1,353 |
| Quarter ended October 1, 2006 | | | | |
| External net sales | \$29,264 | \$38,392 | \$13,875 | \$81,531 |
| Gross profit (loss) | 7,765 | 9,028 | (968) |) 15,825 |
| Operating profit (loss) | 4,444 | 6,635 | (1,172) |) 9,907 |
| Total assets | 204,403 | 74,037 | 48,523 | 326,963 |
| Depreciation | 201 | 398 | 1,269 | 1,868 |
| Capital expenditures | 461 | | | |