

AMERICAN VANGUARD CORP
Form 10-Q
May 08, 2009
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

.. **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 001-13795

AMERICAN VANGUARD CORPORATION

Delaware
(State or other jurisdiction of)

95-2588080
(I.R.S. Employer)

Edgar Filing: AMERICAN VANGUARD CORP - Form 10-Q

Incorporation or organization)

Identification Number)

4695 MacArthur Court, Newport Beach, California
(Address of principal executive offices)

92660
(Zip Code)

(949) 260-1200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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 the latest practicable date.

Common Stock, \$.10 Par Value 27,072,400 shares as of May 1, 2009.

Table of Contents

AMERICAN VANGUARD CORPORATION

INDEX

	Page Number
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008</u>	1
<u>Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008</u>	2
<u>Consolidated Statement of Stockholders' Equity and Comprehensive Income for the three months ended March 31, 2009</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	19
Item 4. <u>Controls and Procedures</u>	19
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	20
Item 6. <u>Exhibits</u>	24
<u>SIGNATURES</u>	25

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands except per share amounts)****(Unaudited)**

	For the three months ended March 31	
	2009	2008
Net sales	\$ 44,637	\$ 40,934
Cost of sales	26,081	23,198
Gross profit	18,556	17,736
Operating expenses	16,563	13,946
Operating income	1,993	3,790
Interest expense	886	1,015
Interest capitalized	(21)	(50)
Income before income tax	1,128	2,825
Income tax expense	429	1,092
Net income	\$ 699	\$ 1,733
Earnings per common share - basic	\$.03	\$.07
Earnings per common share - assuming dilution	\$.03	\$.06
Weighted average shares outstanding - basic	27,004	26,464
Weighted average shares outstanding - assuming dilution	27,663	27,466

See notes to consolidated financial statements.

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands except numbers of shares)****ASSETS (note 7)**

	Mar. 31, 2009 (Unaudited)	Dec. 31, 2008 (Note)
Current assets:		
Cash	\$ 1,447	\$ 1,229
Receivables:		
Trade, net of allowance for doubtful accounts of \$530 and \$472, respectively	63,834	51,405
Other	293	563
	64,127	51,968
Inventories	112,527	90,626
Prepaid expenses	1,717	1,688
Total current assets	179,818	145,511
Property, plant and equipment, net	40,554	41,241
Intangible assets	89,999	91,079
Other assets	10,258	9,106
	\$ 320,629	\$ 286,937

(Continued)

See notes to consolidated financial statements.

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands except numbers of shares)****LIABILITIES AND STOCKHOLDERS' EQUITY**

	Mar. 31, 2009 (Unaudited)	Dec. 31, 2008 (Note)
Current liabilities:		
Current installments of long-term debt	\$ 7,506	\$ 6,656
Accounts payable	21,061	16,196
Accrued program costs	14,715	16,204
Accrued expenses and other payables	5,972	6,767
Income taxes payable	533	3,332
Total current liabilities	49,787	49,155
Long-term debt, excluding current installments	108,222	75,748
Deferred income taxes	6,091	6,091
Total liabilities	164,100	130,994
Commitments and contingent liabilities		
Stockholders' equity:		
Preferred stock, \$.10 par value per share; authorized 400,000 shares; none issued		
Common stock, \$.10 par value per share; authorized 40,000,000 shares; issued 29,333,396 shares at March 31, 2009 and 29,209,863 shares at December 31, 2008	2,932	2,920
Additional paid-in capital	39,390	38,873
Accumulated other comprehensive loss	(2,894)	(3,593)
Retained earnings	120,254	120,896
	159,682	159,096
Less treasury stock, at cost, 2,260,996 shares at March 31, 2009 and at December 31, 2008	(3,153)	(3,153)
Total stockholders' equity	156,529	155,943
	\$ 320,629	\$ 286,937

Note: The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date.

See notes to consolidated financial statements

Table of Contents

AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(Dollars in thousands, except share data)

For The Three Months Ended March 31, 2009

(Unaudited)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income		Treasury Stock		Total
	Shares	Amount	Additional Paid-in Capital		Income (Loss)	Income (Loss)	Shares	Amount	
Balance, December 31, 2008	29,209,863	\$ 2,920	\$ 38,873	\$ 120,896	\$ (3,593)		2,260,996	\$ (3,153)	\$ 155,943
Stocks issued under ESPP	22,345	2	238						240
Cash dividends on common stock (\$0.05 per share)				(1,341)					(1,341)
Foreign currency translation adjustment, net					5	5			5
FAS 123(R) expense			279						279
Unrealized loss on currency forward cover contracts					539	539			539
Change in fair value of interest rate swaps					155	155			155
Grants of restricted stock units	101,188	10							10
Net income				699		699			699
Total comprehensive income						\$ 1,398			
Balance, March 31, 2009	29,333,396	\$ 2,932	\$ 39,390	\$ 120,254	\$ (2,894)		2,260,996	\$ (3,153)	\$ 156,529

See notes to consolidated financial statements

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****For The Three Months Ended March 31, 2009 and 2008****(Unaudited)**

Increase (decrease) in cash	2009	2008
Cash flows from operating activities:		
Net income	\$ 699	\$ 1,733
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed and intangible assets	2,712	2,252
Amortization of other long term assets	663	510
Stock-based compensation expense related to stock options and employee stock purchases	238	235
Changes in assets and liabilities associated with operations:		
Increase in net receivables	(12,159)	(8,402)
Increase in inventories	(21,901)	(26,829)
Increase in prepaid expenses and other assets	(1,844)	(2,739)
Increase in accounts payable	5,559	6,859
Decrease in other current liabilities	(6,424)	(4,977)
Net cash used in operating activities	(32,457)	(31,358)
Cash flows from investing activities:		
Capital expenditures	(945)	(2,375)
Acquisitions of intangible assets		(8,209)
Net cash used in investing activities	(945)	(10,584)
Cash flows from financing activities:		
Net borrowings under line of credit agreement	34,500	41,500
Principal payments on long-term debt	(1,176)	(1,027)
Proceeds from the issuance of common stock (sale of stock under ESPP)	291	513
Net cash provided by financing activities	33,615	40,986
Net increase (decrease) in cash	213	(956)
Cash and cash equivalents at beginning of year	1,229	3,201
Effect of exchange rate changes on cash	5	44
Cash and cash equivalents as of March 31	\$ 1,447	