

Omega Flex, Inc.  
Form 10-Q  
November 10, 2008  
UNITED STATES-

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2008**

**( ) 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 **000-51372**

**Omega Flex, Inc.**

(Exact name of registrant as specified in its charter)

**Pennsylvania**  
(State or other jurisdiction of incorporation or organization)  
**451 Creamery Way, Exton, PA**  
(Address of principal executive offices)

**23-1948942**  
(I.R.S. Employer Identification No.)  
**19341**  
(Zip Code)

**(610) 524-7272**

Registrant's telephone number, including area code

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS**

**DURING THE PRECEDING FIVE YEARS.**

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

The number of shares of the registrant's common stock issued and outstanding as of November 4, 2008 was 10,093,808.

OMEGA FLEX, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

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**PART I - FINANCIAL INFORMATION****Item 1 - Financial Statements****OMEGA FLEX, INC.****CONSOLIDATED BALANCE SHEETS****(unaudited)**

	<b>September 30, <u>2008</u></b>	<b>December 31 <u>2007</u></b>
	<b>(Dollars in thousands)</b>	
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$11,196	\$13,143
Accounts Receivable - less allowances of \$68 and \$137, respectively	9,919	10,132
Inventories	10,797	10,567
Note Receivable from former Parent Company	-	3,250
Other Current Assets	<u>1,890</u>	<u>1,884</u>
Total Current Assets	<u>33,802</u>	<u>38,976</u>
Property and Equipment - net	6,694	6,749
Goodwill	3,526	3,526
Other Long Term Assets	<u>533</u>	<u>521</u>
Total Assets	<u>\$44,555</u>	<u>\$49,772</u>
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$851	\$1,486
Accrued Compensation	1,874	2,692
Accrued Commissions & Sales Incentives	2,601	3,032
Accrued Legal Settlement and Related Costs	33	1,272
Dividends Payable	-	7,092
Other Liabilities	<u>2,728</u>	<u>2,423</u>
Total Current Liabilities	8,087	17,997
Long-Term Portion of Accrued Legal Settlement	-	1,000
Other Long-Term Liabilities	<u>2,223</u>	<u>2,107</u>
Total Liabilities	<u>10,310</u>	<u>21,104</u>
Minority Interests	<u>189</u>	<u>129</u>
Shareholders' Equity:		
Common Stock par value \$0.01 Share: authorized 20,000,000 Shares: 10,093,808 and 10,128,516 shares issued and outstanding at		
September 30, 2008 and December 31, 2007, respectively	102	102
Treasury Stock, at cost 59,825 Shares	(1)	---
Paid in Capital	10,832	11,372
Retained Earnings	23,043	16,651
Accumulated Other Comprehensive Income	<u>80</u>	<u>414</u>

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Total Shareholders' Equity	<u>34,056</u>	<u>28,539</u>
Total Liabilities and Shareholders' Equity	\$44,555 =====	\$49,772 =====

See Accompanying Notes to Consolidated Financial Statements.

## OMEGA FLEX, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the three-months ended September 30,		For the nine-months ended September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>(Amounts in thousands, except earnings per Common Share)</b>				
Net Sales	\$17,699	\$18,266	\$50,500	\$54,799
Cost of Goods Sold	<u>8,837</u>	<u>10,147</u>	<u>25,244</u>	<u>29,744</u>
Gross Profit	8,862	8,119	25,256	25,055
Selling Expense	2,750	2,846	8,054	8,937
General and Administrative Expense	2,118	1,682	5,951	5,437
Legal Settlement and Related Costs	(203)	155	(244)	485
Engineering Expense	<u>510</u>	<u>729</u>	<u>1,627</u>	<u>1,947</u>
Operating Profit	3,687	2,707	9,868	8,249
Interest Income, Net	54	106	223	382
Other (Expense) Income, Net	<u>(58)</u>	<u>43</u>	<u>(84)</u>	<u>87</u>
Income Before Income Taxes	3,683	2,856	10,007	8,718
Income Tax Expense	<u>1,293</u>	<u>1,029</u>	<u>3,615</u>	<u>3,211</u>
Net Income	<u>\$2,390</u>	<u>\$1,827</u>	<u>\$6,392</u>	<u>\$5,507</u>
	=====	=====	=====	=====
Basic Earnings per Common Share:				
Net Income	\$0.24	\$0.18	\$0.63	\$0.54
Basic Weighted Average Shares Outstanding	10,094	10,154	10,102	10,154
Diluted Earnings per Common Share:				
Net Income	\$0.24	\$0.18	\$0.63	\$0.54
Diluted Weighted Average Shares Outstanding	10,094	10,154	10,102	10,154

See Accompanying Notes to Consolidated Financial Statements.

## OMEGA FLEX, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

## For the nine-months ended

	<b>September 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>(Dollars in thousands)</b>	
Cash Flows from Operating Activities:		
Net Income	\$6,392	\$5,507
Adjustments to Reconcile Net Income to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	420	338
Non-Cash Compensation Expense	28	11
Provision for Losses on Accounts Receivable, net of write-offs and recoveries	(69)	64
Change in Minority Interests	60	43
Changes in Operating Assets and Liabilities:		
Accounts Receivable	282	(1,355)
Inventory	(230)	(1,466)
Accounts Payable	(635)	163
Accrued Compensation	(818)	(802)
Accrued Legal Settlement and Related Costs	(2,239)	(5,919)
Other Liabilities	(148)	(873)
Other Assets	<u>(17)</u>	<u>1</u>
Net Cash Provided by (Used In) Operating Activities	<u>3,026</u>	<u>(4,288)</u>
Cash Flows from Investing Activities:		
Receipt of Note Receivable from former Parent Company	3,250	---
Capital Expenditures	<u>(364)</u>	<u>(288)</u>
Net Cash Provided by (Used in) Investing Activities	<u>2,886</u>	<u>(288)</u>
Cash Flows from Financing Activities:		
Treasury Stock Purchase	(540)	---
Dividends Paid	<u>(7,092)</u>	<u>(4,061)</u>
Net Cash Used in Financing Activities		