

FLOW INTERNATIONAL CORP

Form 10-Q

March 16, 2004

Table of Contents

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 10-Q

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

For the quarterly period ended January 31, 2004

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 0-12448

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## FLOW INTERNATIONAL CORPORATION

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WASHINGTON  
(State or other jurisdiction)

91-1104842  
(I.R.S. Employer)

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of incorporation or organization)

Identification No.)

**23500 - 64th Avenue South**

**Kent, Washington 98032**

**(253) 850-3500**

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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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

The number of shares outstanding of common stock, as of March 8, 2004 is 15,358,759 shares.

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**Table of Contents**

FLOW INTERNATIONAL CORPORATION

INDEX

	<u>Page</u>
Part I - <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Condensed Consolidated Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets - January 31, 2004 and April 30, 2003.</u>	3
<u>Condensed Consolidated Statements of Operations - Three and Nine Months Ended January 31, 2004 and 2003</u>	4
<u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended January 31, 2004 and 2003</u>	5
<u>Condensed Consolidated Statements of Comprehensive Operations - Three and Nine Months Ended January 31, 2004 and 2003</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
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>	23
Item 4. <u>Controls and Procedures</u>	23
Part II - <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	25
Item 2. <u>Changes in Securities and Use of Proceeds</u>	25
Item 3. <u>Defaults Upon Senior Securities</u>	25
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	25
Item 5. <u>Other Information</u>	25
Item 6. <u>Exhibits and Reports on Form 8-K</u>	25
<u>Signatures</u>	26

**Table of Contents****FLOW INTERNATIONAL CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

(unaudited; in thousands, except share amounts)

	<b>January 31, 2004</b>	<b>April 30, 2003</b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 16,369	\$ 15,045
Receivables, Net	32,143	34,600
Inventories, Net	29,297	40,883
Deferred Income Taxes	1,130	957
Assets of Discontinued Operations		1,191
Other Current Assets	7,550	7,464
<b>Total Current Assets</b>	<b>86,489</b>	<b>100,140</b>
Property and Equipment, Net	14,484	12,987
Patents and Other Intangible Assets, Net	11,916	11,866
Goodwill	10,891	10,141
Other Assets	8,087	11,130
	<b>\$ 131,867</b>	<b>\$ 146,264</b>
<b><u>LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS (DEFICIT) EQUITY</u></b>		
Current Liabilities:		
Notes Payable	\$ 4,417	\$ 4,610
Current Portion of Long-Term Obligations	45,037	23
Accounts Payable	12,301	12,250
Accrued Payroll and Related Liabilities	6,368	4,512
Other Accrued Taxes	1,748	58
Deferred Revenue	1,884	4,803
Customer Advances	12,370	5,159
Other Accrued Liabilities	13,933	19,499
<b>Total Current Liabilities</b>	<b>98,058</b>	<b>50,914</b>
Long-Term Obligations	32,416	83,775
Other Long-Term Liabilities	4,187	3,791
<b>Total Liabilities</b>	<b>134,661</b>	<b>138,480</b>
Commitments and Contingencies		
Minority Interest	2,315	2,325
Shareholders (Deficit) Equity		
Series A 8% Convertible Preferred Stock \$ .01 par value, 1,000,000 shares authorized, none issued		
Common Stock - \$.01 par value, 29,000,000 shares authorized, 15,358,759 shares outstanding at January 31, 2004 and at April 30, 2003	154	154
Capital in Excess of Par	56,234	55,869
Accumulated Deficit	(52,386)	(40,806)

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Accumulated Other Comprehensive Loss	(9,111)	(9,758)
Total Shareholders' (Deficit) Equity	(5,109)	5,459
	\$ 131,867	\$ 146,264

See Accompanying Notes to  
Condensed Consolidated Financial Statements

- 3 -

**Table of Contents****FLOW INTERNATIONAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited; in thousands, except per share data)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Revenues	\$ 42,382	\$ 30,546	\$ 123,253	\$ 112,381
Cost of Sales	25,813	31,013	77,681	85,371
Gross Margin	16,569	(467)	45,572	27,010
Expenses:				
Sales and Marketing	6,531	10,827	19,766	27,047
Research and Engineering	2,974	3,696	8,863	10,324
General and Administrative	5,697	7,357	16,650	16,626
Restructuring	1,312		3,614	
Goodwill Impairment		7,145		7,145
	16,514	29,025	48,893	61,142
Operating Income (Loss)	55	(29,492)	(3,321)	(34,132)
Interest Expense, Net	3,009	3,198	9,776	8,201
Other (Income) Expense, Net	(2,590)	3,233	(2,771)	4,052
Loss Before Provision for Income Taxes	(364)	(35,923)	(10,326)	(46,385)
Provision for Income Taxes	(775)	(5,312)	(1,780)	(7,831)
Loss Before Discontinued Operations	(1,139)	(41,235)	(12,106)	(54,216)
Discontinued Operations, Net of Tax		(384)	526	(241)
Net Loss	\$ (1,139)	\$ (41,619)	\$ (11,580)	\$ (54,457)
Basic and Diluted Loss Per Share:				
Loss Before Discontinued Operations	\$ (.07)	\$ (2.68)	\$ (.78)	\$ (3.53)
Effect of Discontinued Operations, Net of Tax		(.03)	.03	(.02)
Net Loss	\$ (.07)	\$ (2.71)	\$ (.75)	\$ (3.55)
Weighted Average Shares Used in Computing Basic and Diluted Loss Per Share				
Basic	15,359	15,359	15,359	15,345
Diluted	15,359	15,359	15,359	15,345

See Accompanying Notes to

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Condensed Consolidated Financial Statements

- 4 -

**Table of Contents****FLOW INTERNATIONAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited; in thousands)

	<b>Nine Months Ended January 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Cash Flows from Operating Activities:</b>		
Net Loss	\$ (11,580)	\$ (54,457)
<b>Adjustments to Reconcile Net Loss to Cash Provided by (Used In) Operating Activities:</b>		
Depreciation and Amortization	4,817	7,638
Gain on Sale of Discontinued Operations	(650)	
Gain on Sale of Equity Securities	(2,618)	
Deferred Taxes	310	7,095
Goodwill Impairment		7,145
Loss on Valuation of Operating Assets		8,052
Provision for Losses on Trade Accounts Receivable	187	3,269
Provision for Losses on Inventory		3,272
Other Non-Cash Items	1,169	884
	<u>(8,365)</u>	<u>(17,102)</u>
Decrease in Receivables	3,045	18,966
Decrease (Increase) in Inventory	12,625	(6,085)
Decrease (Increase) in Other Operating Assets	389	(1,257)
Increase (Decrease) in Customer Advances	6,539	(6,542)
(Decrease) Increase in Other Operating Liabilities	(1,037)	2,522
<b>Cash Provided by (Used in) Operating Activities</b>	<u>13,196</u>	<u>(9,498)</u>
<b>Cash Flows from Investing Activities:</b>		
Expenditures for Property and Equipment	(5,009)	(3,635)
Proceeds from Sale of Property and Equipment		2,769
Proceeds from Sale of Discontinued Operations	1,837	
Proceeds from Sale of Equity Securities	3,275	
Other	354	
<b>Cash Provided by (Used in) Investing Activities</b>	<u>457</u>	<u>(866)</u>