

APPLICA INC
Form 10-Q/A
November 06, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q/A

(Amendment No. 1)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

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 1-10177

APPLICA INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Florida

59-1028301

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

5980 Miami Lakes Drive, Miami Lakes, Florida

33014

(Address Of Principal Executive Offices)

(Zip Code)

(305) 362-2611

(Registrant's Telephone Number, Including Area Code)

Former Name, If Changed Since Last Report:

Not Applicable

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 requirement 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

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

| Class | Number of shares outstanding on October 28, 2003 |
|--------------------------------|---|
| Common Stock, \$0.10 par value | 23,657,084 |

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The purpose of this Amendment No. 1 to Applica Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 is to correct certain information regarding earnings (loss) per common share diluted and related matters.

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CERTIFICATION OF CHIEF FINANCIAL OFFICER

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Applica Incorporated and Subsidiaries

CONSOLIDATED BALANCE SHEETS

| | September 30, 2003 (Unaudited) | December 31, 2002 |
|---|--------------------------------------|----------------------|
| | (In thousands) | |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 6,974 | \$ 7,683 |
| Accounts and other receivables, less allowances of \$17,408 in 2003 and \$15,830 in 2002 | 133,912 | 146,567 |
| Receivables from affiliates | 1,587 | 2,060 |
| Inventories | 150,181 | 111,453 |
| Prepaid expenses and other | 13,975 | 11,862 |
| Refundable income taxes | 3,939 | 1,663 |
| Future income tax benefits | 14,654 | 18,654 |
| | <hr/> | <hr/> |
| Total current assets | 325,222 | 299,942 |
| Investment in Joint Venture | 5,038 | 1,249 |
| Property, Plant and Equipment - at cost, less accumulated depreciation of \$125,488 in 2003 and \$109,949 in 2002 | 71,315 | 76,963 |
| Future Income Tax Benefits, Non-Current | 43,070 | 54,378 |
| Goodwill | 62,812 | 62,812 |
| Other Intangibles, Net | 14,528 | 20,860 |
| Other Assets | 3,990 | 5,461 |
| | <hr/> | <hr/> |
| Total Assets | \$525,975 | \$521,665 |
| | <hr/> | <hr/> |
| Liabilities and Shareholders Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 52,641 | \$ 31,446 |
| Accrued expenses | 65,789 | 74,686 |
| Current maturities of long-term debt | 151 | 144 |
| Current taxes payable | 4,613 | 518 |
| Deferred rent | 319 | 372 |
| | <hr/> | <hr/> |
| Total current liabilities | 123,513 | 107,166 |
| Other Long-Term Liabilities | 2,077 | 1,533 |
| Long-Term Debt, Less Current Maturities | 155,931 | 193,838 |
| Shareholders Equity: | | |
| Common stock authorized:75,000 shares of \$.10 par value; issued and outstanding: 23,657 shares in 2003 and 23,497 shares in 2002 | 2,366 | 2,350 |
| Paid-in capital | 156,432 | 155,395 |

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| | | |
|--|-------------------|-------------------|
| Retained earnings | 92,942 | 71,251 |
| Note receivable officer | (1,496) | (1,496) |
| Accumulated other comprehensive earnings (loss) | (5,790) | (8,372) |
| | <u> </u> | <u> </u> |
| Total shareholders equity | 244,454 | 219,128 |
| | <u> </u> | <u> </u> |
| Total liabilities and shareholders equity | \$ 525,975 | \$ 521,665 |
| | <u> </u> | <u> </u> |

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

Table of Contents**Applica Incorporated and Subsidiaries****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

| | Three Months Ended September 30, | | | |
|--|---------------------------------------|--------|------------|--------|
| | 2003 | | 2002 | |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 173,512 | 100.0% | \$ 194,851 | 100.0% |
| Cost of goods sold | 122,257 | 70.5 | 130,243 | 66.8 |
| Gross profit | 51,255 | 29.5 | 64,608 | 33.2 |
| Selling, general and administrative expenses: | | | | |
| Operating expenses | 54,105 | 31.2 | 47,050 | 24.2 |
| Repositioning charge | | | 5,397 | 2.8 |
| Operating earnings (loss) | (2,850) | (1.7) | 12,161 | 6.2 |
| Other expense (income): | | | | |
| Interest expense | 3,597 | 2.1 | 4,967 | 2.5 |
| Interest and other income | (245) | (0.1) | (866) | (0.4) |
| Loss on early extinguishment of debt | 1,906 | 1.0 | | |
| Gain on litigation settlement | | | (557) | (0.3) |
| | 5,258 | 3.0 | 3,544 | 1.8 |
| Earnings (loss) before equity in net earnings (loss) of joint venture and income taxes | (8,108) | (4.7) | 8,617 | 4.4 |
| Equity in net earnings (loss) of joint venture | 16,199 | 9.3 | (598) | (0.3) |
| Earnings (loss) before income taxes | 8,091 | 4.6 | 8,019 | 4.1 |
| Income tax expense (benefit) | 3,236 | 1.8 | 2,805 | 1.4 |
| Net earnings (loss) | \$ 4,855 | 2.8% | \$ 5,214 | 2.7% |
| Earnings (loss) per common share: | | | | |
| Earnings (loss) per common share basic | \$ 0.21 | | \$ 0.22 | |
| Earnings (loss) per common share diluted | \$ 0.20 | | \$ 0.22 | |

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

Table of Contents**Applica Incorporated and Subsidiaries****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

| | Nine Months Ended September 30, | | | |
|--|---------------------------------------|--------|-------------|---------|
| | 2003 | 2002 | | |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 431,598 | 100.0% | \$ 505,948 | 100.0% |
| Cost of goods sold | 302,882 | 70.2 | 346,562 | 68.5 |
| Gross profit | 128,716 | 29.8 | 159,386 | 31.5 |
| Selling, general and administrative expenses: | | | | |
| Operating expenses | 135,320 | 31.4 | 137,545 | 27.2 |
| Repositioning charge | | | 10,643 | 2.1 |
| Operating earnings (loss) | (6,604) | (1.6) | 11,198 | 2.2 |
| Other expense (income): | | | | |
| Interest expense | 11,431 | 2.6 | 12,624 | 2.5 |
| Interest and other income | (893) | (0.2) | (1,612) | (0.3) |
| Loss on early extinguishment of debt | 1,906 | 0.4 | | |
| Gain on litigation settlement | | | (557) | (0.1) |
| | 12,444 | 2.8 | 10,455 | 2.1 |
| Earnings (loss) before equity in net earnings (loss) of joint ventures, income taxes and cumulative effect of change in accounting principle | (19,048) | (4.4) | 743 | 0.1 |
| Equity in net earnings (loss) of joint ventures | 55,199 | 12.8 | (783) | (0.1) |
| Earnings (loss) before income taxes and cumulative effect of change in accounting principle | 36,151 | 8.4 | (40) | 0.0 |
| Income tax expense (benefit) | 14,460 | 3.4 | (16) | 0.0 |
| Earnings (loss) before cumulative effect of change in accounting principle | 21,691 | 5.0 | (24) | 0.0 |
| Cumulative effect of change in accounting principle, net of tax benefit of \$0 and \$42,447 in 2003 and 2002 | | | (78,829) | (15.6) |
| Net earnings (loss) | \$ 21,691 | 5.0% | \$ (78,853) | (15.6)% |
| Earnings (loss) per common share basic: | | | | |
| Earnings (loss) before cumulative effect of change in accounting principle | \$ 0.92 | | \$ 0.00 | |
| Cumulative effect of change in accounting principle | | | (3.37) | |
| Earnings (loss) per common share basic | \$ 0.92 | | \$ (3.37) | |
| Earnings (loss) per common share diluted: | | | | |
| Earnings (loss) before cumulative effect of change in accounting principle | \$ 0.91 | | \$ 0.00 | |
| Cumulative effect of change in accounting principle | | | (3.37) | |

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| | | |
|--|----------------|------------------|
| Earnings (loss) per common share - diluted | <u>\$ 0.91</u> | <u>\$ (3.37)</u> |
|--|----------------|------------------|

The accompanying notes are an integral part of these statements.

Table of Contents**Applica Incorporated and Subsidiaries****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

**Nine Months Ended
September 30,**

2003

2002

(In thousands)

Cash flows from operating activities:

| | | |
|--|-----------|------------|
| Net earnings (loss) | \$ 21,691 | \$(78,853) |
| Reconciliation to net cash provided by (used in) operating activities: | | |
| Depreciation of property, plant and equipment | 15,184 | 14,799 |
| Provision for doubtful accounts | 3,276 | 5,719 |
| Amortization of intangible assets | 6,915 | 6,772 |
| Loss on early extinguishment of debt | 1,906 | |
| Gain on litigation settlement | | (557) |
| Cumulative effect of change in accounting principle, net of tax | | 78,829 |
| Deferred income taxes | 15,308 | (7,644) |
| Other non-cash changes in equity items | 10 | 78 |
| Equity in net (earnings) loss of joint venture | (55,199) | 783 |
| Changes in assets and liabilities: | | |
| Accounts and other receivables | 9,379 | 16,776 |
| Inventories | (40,118) | (37,142) |
| Prepaid expenses and other | (2,113) | (5,822) |
| Other assets | 3,064 | (6,320) |
| Accounts payable and accrued expenses | 12,298 | 18,877 |
| Current income taxes | 1,819 | (2,296) |
| Other liabilities | 491 | (464) |
| Net cash provided by (used in) operating activities | (6,089) | 3,535 |

Cash flows from investing activities:

| | | |
|---------------------------|--|----------|
| Purchase of Weitech, Inc. | | (17,002) |
|---------------------------|--|----------|