

INTRICON CORP
Form 10-Q
November 13, 2006

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2006

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 1-5005

INTRICON CORPORATION

(Exact Name of Registrant as Specified in its Charter)

PENNSYLVANIA
(State or Other Jurisdiction of

23-1069060
(IRS Employer Identification No.)

Incorporation or Organization)

**1260 RED FOX ROAD,
ARDEN HILLS, MINNESOTA**
(Address of Principal Executive Offices)

55112
(Zip Code)

(651) 636-9770

(Registrant's Telephone Number, Including Area Code)

N/A

(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 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

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Indicate by check mark whether the registrant is a shell company (as defined by 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 SHARES, \$1.00 PAR VALUE
CLASS

5,161,314 (net of 515,754
treasury shares)

OUTSTANDING AT October 23, 2006

INTRICON CORPORATION

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(Unaudited) for the Nine Months Ended

September 30, 2006 and 2005

Consolidated Condensed Statements of Cash Flows

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(Unaudited) for the Nine Months Ended

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PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements

INTRICON CORPORATION

Consolidated Condensed Balance Sheets

Assets

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	September 30, 2006 (Unaudited)	December 31, 2005
Current assets:		
Cash	\$ 597,177	\$ 1,109,402
Restricted cash	60,158	60,158
Accounts receivable (less allowance for doubtful accounts of \$268,000 in 2006 and \$370,000 in 2005)	7,173,429	6,925,357
Inventories	7,845,034	6,950,243
Refundable income tax	93,241	77,143
Other current assets	402,992	454,053
Total current assets	16,172,031	15,576,356
Property, plant and equipment:		
Land		170,500
Buildings		1,732,914
Machinery and equipment	28,051,040	26,423,956
	28,051,040	28,327,370
Less: Accumulated depreciation	22,059,956	21,455,955
Net property, plant and equipment	5,991,084	6,871,415
Note receivable from sale of discontinued operations, less allowance of \$296,000	453,923	503,923
Goodwill	5,867,239	5,754,219
Other assets, net	723,426	929,474
	\$ 29,207,703	\$ 29,635,387

(See accompanying notes to the consolidated condensed financial statements)

Table of Contents**INTRICON CORPORATION****Consolidated Condensed Balance Sheets****Liabilities and Shareholders' Equity**

	September 30, 2006 (Unaudited)	December 31, 2005
Current liabilities:		
Checks written in excess of cash	\$ 818,662	\$ 397,999
Current maturities of long-term debt	716,549	888,531
Accounts payable	3,247,666	3,136,555
Income taxes payable	224,823	298,914
Deferred gain on building sale	118,036	
Other accrued liabilities	2,898,987	2,669,684
Total current liabilities	8,024,723	7,391,683
Long term debt, less current maturities	2,320,241	5,319,181
Other postretirement benefit obligations	1,370,312	1,516,939
Note payable, net of current portion	769,081	646,530
Deferred income taxes	29,535	37,725
Accrued pension liabilities	655,025	633,818
Deferred gain on building sale, net of current portion	1,032,815	
Total non-current liabilities	6,177,009	8,154,193
Total liabilities	14,201,732	15,545,876
Commitments and contingencies (Notes 12 and 14)		
Shareholders' equity:		
	5,677,068	5,665,568

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	September 30, 2006 (Unaudited)	December 31, 2005
Common shares, \$1 par; 10,000,000 shares authorized; 5,677,068 and 5,665,568 shares issued; 5,161,314 and 5,149,814 outstanding		
Additional paid-in capital	12,223,777	12,053,590
Accumulated deficit	(1,432,662)	(2,152,017)
Accumulated other comprehensive loss	(197,134)	(212,552)
Less: 515,754 common shares held in treasury, at cost	(1,265,078)	(1,265,078)
Total shareholders equity	15,005,971	14,089,511
	\$ 29,207,703	\$ 29,635,387

(See accompanying notes to the consolidated condensed financial statements)

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INTRICON CORPORATION

Consolidated Condensed Statements of Operations

(Unaudited)

	Three Months Ended	
	September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)
Sales, net	\$ 12,487,832	\$ 11,896,464
Cost of sales	9,614,058	8,989,356
Gross margin	2,873,774	2,907,108
Operating expenses:		
Selling expense	848,499	826,852
General and administrative expense	1,177,860	1,291,753
Research and development expense	256,678	479,549

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Three Months Ended

Total operating expenses	2,283,037	2,598,154
Operating income	590,737	308,954
Interest expense	(91,394)	(65,679)
Interest income	16,842	16,310
Other income (expense), net	(10,401)	11,587
Income from continuing operations before income taxes	505,784	271,172
Income tax expense	52,856	96,993
Income from continuing operations	452,928	174,179
Loss from discontinued operations, net of income tax expense	(14,655)	(48,732)
Net income	\$ 438,273	\$ 125,447
Income (loss) per share		
Basic:		
Continuing operations	\$.09	\$.03
Discontinued operations	(.01)	(.01)
	\$.08	\$.02
Diluted:		
Continuing operations	\$.08	\$.03
Discontinued operations	(.00)	(.01)
	\$.08	\$.02
Average shares outstanding:		
Basic	5,157,925	5,132,692
Diluted	5,413,277	5,384,767

(See accompanying notes to the consolidated condensed financial statements)

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Consolidated Condensed Statements of Operations

(Unaudited)

	Nine Months Ended	
	September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)
Sales, net	\$ 37,532,457	\$ 33,284,010
Cost of sales	28,372,969	24,583,421
Gross margin	9,159,488	8,700,589
Operating expenses:		
Selling expense	2,620,031	2,515,066
General and administrative expense	3,804,666	3,828,688
Research and development expense	1,437,499	1,245,303
Total operating expenses	7,862,196	7,589,057
Operating income	1,297,292	1,111,532
Interest expense	(392,570)	(285,344)
Interest income	56,482	34,892
Other income (expense), net	(71,345)	118,341
Income from continuing operations before income taxes	889,859	979,421
Income tax expense	127,874	385,414
Income from continuing operations	761,985	594,007
Income (loss) from discontinued operations, net of income tax expense	(42,630)	58,609
Net income	\$ 719,355	\$ 652,616
Income (loss) per share:		
Basic:		
Continuing operations	\$.15	\$.11
Discontinued operations	(.01)	.01
	\$.14	\$.12