

GLOBAL POWER EQUIPMENT GROUP INC.

Form 10-Q

August 15, 2011

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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 June 30, 2011

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 No. 001-16501

Global Power Equipment Group Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

73-1541378
(I.R.S. Employer
Identification No.)

400 E. Las Colinas Blvd., Suite 250

Irving, TX 75039

(Address of principal executive offices) (Zip code)

(918) 488-0828

(Registrant's telephone number, including area code)

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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 by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of August 9, 2011, there were 16,182,477 shares of common stock of Global Power Equipment Group Inc. outstanding.

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(in thousands, except share and per share amounts)

| | June 30, 2011 | December 31, 2010 |
|---|------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 53,636 | \$ 55,474 |
| Restricted cash | 1,019 | 1,019 |
| Accounts receivable, net of allowance of \$455 and \$2,508 | 52,684 | 58,892 |
| Inventories | 6,421 | 5,077 |
| Costs and estimated earnings in excess of billings | 50,030 | 33,076 |
| Deferred tax - current | 7,085 | 814 |
| Other current assets | 6,120 | 4,087 |
| Total current assets | 176,995 | 158,439 |
| Property, plant and equipment, net | 13,038 | 12,234 |
| Goodwill | 80,400 | 80,400 |
| Intangible assets, net | 12,500 | 12,989 |
| Deferred tax assets, long-term | 16,121 | |
| Other assets | 1,516 | 1,663 |
| Total assets | \$ 300,570 | \$ 265,725 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,501 | \$ 16,351 |
| Accrued compensation and employee benefits | 15,207 | 20,977 |
| Accrued warranties | 6,116 | 6,049 |
| Billings in excess of costs and estimated earnings | 16,916 | 11,335 |
| Other current liabilities | 10,756 | 9,843 |
| Total current liabilities | 64,496 | 64,555 |
| Long-term deferred tax liability | | 17,748 |
| Other long-term liabilities | 4,345 | 4,159 |
| Liabilities subject to compromise | | 207 |
| Total liabilities | 68,841 | 86,669 |
| Commitments and contingencies (Note 5) | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 170,000,000 shares authorized, and 16,158,774 and 15,586,237 shares issued, respectively 15,955,685 and 15,469,287 shares outstanding, respectively | 1,409 | 1,403 |
| Paid-in capital | 64,733 | 64,653 |
| Accumulated other comprehensive income | 3,443 | 1,382 |
| Retained earnings | 162,152 | 111,629 |
| Treasury stock, at cost (203,089 and 116,950 shares, respectively) | (8) | (11) |

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| | | |
|--|------------|------------|
| Total stockholders' equity | 231,729 | 179,056 |
| Total liabilities and stockholders' equity | \$ 300,570 | \$ 265,725 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share and per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | 2011 (Unaudited) | 2010 | 2011 (Unaudited) | 2010 |
| Products revenue | \$ 65,665 | \$ 38,754 | \$ 93,426 | \$ 73,808 |
| Services revenue | 83,848 | 85,906 | 167,670 | 208,002 |
| Total revenues | 149,513 | 124,660 | 261,096 | 281,810 |
| Cost of products revenue | 51,256 | 28,517 | 74,197 | 54,841 |
| Cost of services revenue | 73,325 | 71,996 | 147,313 | 177,565 |
| Cost of revenues | 124,581 | 100,513 | 221,510 | 232,406 |
| Gross profit | 24,932 | 24,147 | 39,586 | 49,404 |
| Selling and administrative expenses | 14,007 | 13,929 | 27,432 | 24,788 |
| Operating income | 10,925 | 10,218 | 12,154 | 24,616 |
| Interest expense, net | 314 | 1,119 | 574 | 3,276 |
| Income from continuing operations before reorganization items and income taxes | 10,611 | 9,099 | 11,580 | 21,340 |
| Reorganization expense (income) | (50) | 434 | (5) | 940 |
| Income from continuing operations before income taxes | 10,661 | 8,665 | 11,585 | 20,400 |
| Income tax expense (benefit) | (38,976) | 149 | (38,938) | 1,778 |
| Income from continuing operations | 49,637 | 8,516 | 50,523 | 18,622 |
| Discontinued operations: | | | | |
| Income from discontinued operations, net of tax | | 2,105 | | 3,164 |
| Net income | \$ 49,637 | \$ 10,621 | \$ 50,523 | \$ 21,786 |
| Basic earnings per weighted average common share: | | | | |
| Income from continuing operations | \$ 3.13 | \$ 0.56 | \$ 3.21 | \$ 1.23 |
| Income from discontinued operations | | 0.13 | | 0.20 |
| Income per common share - basic | \$ 3.13 | \$ 0.69 | \$ 3.21 | \$ 1.43 |
| Weighted average number of shares of common stock outstanding - basic | 15,875,794 | 15,303,434 | 15,720,143 | 15,189,849 |
| Diluted earnings per weighted average common share: | | | | |
| Income from continuing operations | \$ 2.92 | \$ 0.52 | \$ 2.99 | \$ 1.15 |
| Income from discontinued operations | | 0.13 | | 0.20 |
| Income per common share - diluted | \$ 2.92 | \$ 0.65 | \$ 2.99 | \$ 1.35 |

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| | | | | |
|--|------------|------------|------------|------------|
| Weighted average number of shares of common stock outstanding - diluted | 16,983,606 | 16,435,396 | 16,908,745 | 16,168,683 |
|--|------------|------------|------------|------------|

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

| | Six Months Ended | |
|---|-------------------------|-------------|
| | June 30, | |
| | 2011 | 2010 |
| | (Unaudited) | |
| Operating activities: | | |
| Net income | \$ 50,523 | \$ 21,786 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Deferred income taxes | (40,140) | |
| Depreciation and amortization | 1,516 | 2,052 |
| Amortization of debt issuance costs | 261 | 1,026 |
| Loss (gain) on disposal of equipment | 4 | 8 |
| Stock-based compensation | 2,943 | 1,585 |
| Changes in operating assets and liabilities: | | |
| Receivables | 6,208 | 8,894 |
| Inventories | (1,344) | |