

KEY TECHNOLOGY INC
Form 10-Q
May 06, 2014

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended March 31, 2014

or

o 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. 0-21820

KEY TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Oregon
(State or jurisdiction of
incorporation or organization)

93-0822509
(I.R.S. Employer
Identification No.)

150 Avery Street
Walla Walla, Washington 99362
(Address of principal executive offices and zip code)

(509) 529-2161
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 ý 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 ý 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

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

The number of shares outstanding of the registrant's common stock, no par value, on April 30, 2014 was 6,300,630 shares.

KEY TECHNOLOGY, INC.
 FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 2014
 TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	<u>3</u>
	Unaudited condensed consolidated balance sheets, March 31, 2014 and September 30, 2013	<u>3</u>
	Unaudited condensed consolidated statements of operations for the three months ended March 31, 2014 and 2013	<u>4</u>
	Unaudited condensed consolidated statements of operations for the six months ended March 31, 2014 and 2013	<u>5</u>
	Unaudited condensed consolidated statements of comprehensive income for the three- and six-months ended March 31, 2014 and 2013	<u>6</u>
	Unaudited condensed consolidated statements of cash flows for the six months ended March 31, 2014 and 2013	<u>7</u>
	<u>Notes to unaudited condensed consolidated financial statements</u>	<u>9</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>28</u>

PART II. OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>29</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>30</u>

<u>SIGNATURES</u>	<u>31</u>
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<u>EXHIBIT INDEX</u>	<u>32</u>
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PART I

ITEM 1. FINANCIAL STATEMENTS

KEY TECHNOLOGY, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

MARCH 31, 2014 AND SEPTEMBER 30, 2013

	March 31, 2014 (in thousands)	September 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$13,362	\$17,601
Trade accounts receivable, net of allowance for doubtful accounts of \$346 and \$296, respectively	13,028	17,725
Inventories:		
Raw materials	9,832	10,657
Work-in-process and sub-assemblies	13,017	7,802
Finished goods	8,554	9,462
Total inventories	31,403	27,921
Deferred income taxes	4,036	5,034
Prepaid expenses and other assets	5,719	4,292
Total current assets	67,548	72,573
Property, plant and equipment, net	16,720	17,259
Deferred income taxes	1,212	760
Goodwill	11,962	11,821
Investment in Proditec	1,148	1,148
Intangibles and other assets, net	10,348	11,063
Total	\$108,938	\$114,624
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$6,111	\$6,669
Accrued payroll liabilities and commissions	6,688	9,440
Customers' deposits	7,852	6,048
Accrued customer support and warranty costs	2,736	3,301
Customer purchase plans	2,014	1,731
Income taxes payable	2	430
Current portion of long-term debt	828	871
Other accrued liabilities	1,621	1,745
Total current liabilities	27,852	30,235
Long-term debt	5,230	5,612
Deferred income taxes	4,843	5,226
Other long-term liabilities	386	426
Shareholders' equity:		
Common stock	30,629	30,086
Warrants	665	665
Retained earnings and other shareholders' equity	39,333	42,374
Total shareholders' equity	70,627	73,125
Total	\$108,938	\$114,624

See notes to unaudited condensed consolidated financial statements.

3

KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

	2014	2013
	(in thousands, except per share data)	
Net sales	\$31,598	\$35,486
Cost of sales	21,334	22,673
Gross profit	10,264	12,813
Operating expenses:		
Sales and marketing	4,650	4,740
Research and development	3,142	2,296
General and administrative	2,992	2,836
Amortization of intangibles	439	148
Total operating expenses	11,223	10,020
Gain (loss) on disposition of assets	(6	) 29
Earnings (loss) from operations	(965	) 2,822
Other income (expense)	(93	) 10
Earnings (loss) before income taxes	(1,058	) 2,832
Income tax expense (benefit)	(361	) 686
Net earnings (loss)	\$(697	) \$2,146
Net earnings (loss) per share		
- basic	\$(0.11	) \$0.38
- diluted	\$(0.11	) \$0.38
Shares used in per share calculations - basic	6,298	5,687
Shares used in per share calculations - diluted	6,298	5,692
See notes to unaudited condensed consolidated financial statements.		

KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013

	2014	2013
	(in thousands, except per share data)	
Net sales	\$54,323	\$55,339
Cost of sales	37,889	36,043
Gross profit	16,434	19,296
Operating expenses:		
Sales and marketing	9,424	8,596
Research and development	5,572	4,033
General and administrative	5,407	4,965
Amortization of intangibles	876	152
Total operating expenses	21,279	17,746
Gain (loss) on disposition of assets	—	50
Earnings (loss) from operations	(4,845	) 1,600
Other income (expense)	(158	) (53
Earnings (loss) before income taxes	(5,003	) 1,547
Income tax expense (benefit)	(1,701	) 275
Net earnings (loss)	\$(3,302	) \$1,272
Net earnings (loss) per share		
- basic	\$(0.53	) \$0.23
- diluted	\$(0.53	) \$0.23
Shares used in per share calculations - basic	6,287	5,493
Shares used in per share calculations - diluted	6,287	5,498
See notes to unaudited condensed consolidated financial statements.		

KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2014 AND 2013

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Net earnings (loss)	\$(697)	\$2,146	\$(3,302)	\$1,272
Other comprehensive income (loss):				
Foreign currency translation adjustment	(21)	(536)	352	(481)
Unrealized changes in fair value of derivatives	(17)	55	44	84
Income tax (expense) benefit related to items of comprehensive income (loss)	13	163	(134)	135
Total comprehensive income (loss)	\$(722)	\$1,828	\$(3,040)	\$1,010

See notes to unaudited condensed consolidated financial statements.

KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013

	2014	2013	
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	\$(3,302	) \$1,272	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Gain on disposition of assets	—	(50)
Foreign currency exchange (gain) loss	22	(9)
Depreciation and amortization	2,703	2,162	
Share based payments	734	549	
Excess tax benefits from share based payments	(20	) (20)
Deferred income taxes	(13	) (1,103)
Deferred rent	7	(12)
Bad debt expense	47	(5)
Changes in assets and liabilities:			
Trade accounts receivable	4,687	(2,997)
Inventories	(3,322	) (4,232)
Prepaid expenses and other current assets	268	236	
Income taxes receivable	(1,680	) 280	
Intangibles and other long term assets	—	(135)
Accounts payable	(579	) 472	
Accrued payroll liabilities and commissions	(2,797	) 1,814	
Customers' deposits	1,752	9,461	
Accrued customer support and warranty costs	(582	) 383	
Income taxes payable	(436	) 1,101	
Other accrued liabilities	157	(34)
Other	(3	) 3	
Cash provided by (used in) operating activities	(2,357	) 9,136	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property	17		