

INSTEEL INDUSTRIES INC  
Form 10-Q  
April 18, 2019

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended March 30, 2019**

**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: 1-9929**

**Insteel Industries, Inc.**

(Exact name of registrant as specified in its charter)

**North Carolina**

(State or other jurisdiction of  
incorporation or organization)

**1373 Boggs Drive, Mount Airy, North Carolina**

**56-0674867**

(I.R.S. Employer  
Identification No.)

**27030**

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(336) 786-2141**

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 every Interactive Data File required to be submitted 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 such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Smaller reporting company   
Non-accelerated filer  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 as of April 17, 2019 was 19,251,607.



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**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements**

**INSTEEL  
INDUSTRIES, INC.  
AND  
SUBSIDIARIES  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS AND  
COMPREHENSIVE  
INCOME**

(In thousands, except  
per share amounts)

(Unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>March 30, 2019</b>	<b>March 31, 2018</b>	<b>March 30, 2019</b>	<b>March 31, 2018</b>
Net sales	\$111,948	\$107,417	\$216,058	\$205,158
Cost of sales	104,927	92,001	198,061	178,081
Gross profit	7,021	15,416	17,997	27,077
Selling, general and administrative expense	6,556	7,475	13,090	13,238
Other expense (income), net	(971 )	166	(1,800 )	185
Interest expense	45	23	75	51
Interest income	(12 )	(53 )	(167 )	(129 )
Earnings before income taxes	1,403	7,805	6,799	13,732
Income taxes	354	1,926	1,624	(258 )
Net earnings	\$1,049	\$5,879	\$5,175	\$13,990
Net earnings per share:				
Basic	\$0.05	\$0.31	\$0.27	\$0.73
Diluted	0.05	0.31	0.27	0.73
Weighted average shares outstanding:				
Basic	19,242	19,052	19,233	19,047
Diluted	19,340	19,258	19,338	19,241

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Cash dividends declared per share	\$0.03	\$0.03	\$0.06	\$1.06
Comprehensive income	\$1,049	\$5,879	\$5,175	\$13,990

*See accompanying notes to consolidated financial statements.*

**INSTEEL  
INDUSTRIES,  
INC. AND  
SUBSIDIARIES  
CONSOLIDATED  
BALANCE  
SHEETS**  
(In thousands)

	(Unaudited)	
	March 30, 2019	September 29, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 490	\$ 43,941
Accounts receivable, net	50,574	51,484
Inventories	117,227	94,157
Other current assets	6,265	5,895
Total current assets	174,556	195,477
Property, plant and equipment, net	109,377	106,148
Intangibles, net	9,157	9,703
Goodwill	8,293	8,293
Other assets	10,188	9,913
Total assets	\$ 311,571	\$ 329,534
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 35,124	\$ 60,059
Accrued expenses	5,991	11,929
Total current liabilities	41,115	71,988
Long-term debt	5,365	-
Other liabilities	18,561	15,881
Commitments and contingencies		
Shareholders' equity:		
Common stock	19,252	19,223
Additional paid-in capital	73,667	72,852
Retained earnings	155,105	151,084
Accumulated other comprehensive loss	(1,494 )	(1,494 )
Total shareholders' equity	246,530	241,665
Total liabilities and shareholders' equity	\$ 311,571	\$ 329,534

*See accompanying notes to consolidated financial statements.*





**INSTEEL  
INDUSTRIES,  
INC. AND  
SUBSIDIARIES  
CONSOLIDATED  
STATEMENTS  
OF CASH  
FLOWS**

(In thousands)

(Unaudited)

	<b>Six Months Ended March 30, 2019</b>	<b>March 31, 2018</b>
<b>Cash Flows From Operating Activities:</b>		
Net earnings	\$ 5,175	\$ 13,990
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:		
Depreciation and amortization	6,622	6,409
Amortization of capitalized financing costs	32	32
Stock-based compensation expense	1,019	1,073
Deferred income taxes	2,136	(2,270 )
Loss (gain) on sale and disposition of property, plant and equipment	(1,758 )	221
Increase in cash surrender value of life insurance policies over premiums paid	(62 )	(275 )
Net changes in assets and liabilities (net of assets and liabilities acquired):		
Accounts receivable, net	910	(10,171 )
Inventories	(23,070 )	18,697
Accounts payable and accrued expenses	(30,357 )	(4,218 )

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Other changes	(838	)	1,005
Total adjustments	(45,366	)	10,503
Net cash provided by (used for) operating activities	(40,191	)	24,493
<b>Cash Flows From Investing Activities:</b>			
Capital expenditures	(8,107	)	(9,316
Acquisition of business	-		(3,300
Proceeds from surrender of life insurance policies	18		121
Increase in cash surrender value of life insurance policies	(263	)	(245
Proceeds from property insurance	1,048		-
Proceeds from sale of property, plant and equipment	8		-
Net cash used for investing activities	(7,296	)	(12,740
<b>Cash Flows From Financing Activities:</b>			
Proceeds from long-term debt	17,626		169
Principal payments on long-term debt	(12,261	)	(169
Cash dividends paid	(1,154	)	(20,184
Payment of employee tax withholdings related to net share transactions	(175	)	(210
Net cash provided by (used for) financing activities	4,036		(20,394
Net decrease in cash and cash equivalents	(43,451	)	(8,641
Cash and cash equivalents at beginning of period	43,941		32,105
Cash and cash equivalents at end of period	\$ 490		\$ 23,464

**Supplemental  
Disclosures of Cash**

**Flow Information:**

Cash paid during the period for:

Income taxes, net	\$	1,387	\$	1,060
Non-cash investing and financing activities:				
Purchases of property, plant and equipment in accounts payable		497		1,233
Restricted stock units and stock options surrendered for withholding taxes payable		175		210

*See accompanying notes to consolidated financial statements.*

**INSTEEL  
INDUSTRIES, INC.  
AND  
SUBSIDIARIES  
CONSOLIDATED  
STATEMENTS OF  
SHAREHOLDERS'  
EQUITY**

(In thousands)

(Unaudited)

	Common Shares	Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<i>For the six months ended March 30, 2019</i>						
Balance at September 29, 2018	19,223	\$19,223	\$ 72,852	\$151,084	\$ (1,494 )	\$ 241,665
Net earnings				4,126		4,126
Compensation expense associated with stock-based plans			174			174
Restricted stock units and stock options surrendered for withholding taxes payable			(7 )			(7 )
Cash dividends declared				(576 )		(576 )
Balance at December 29, 2018	19,223	19,223	73,019	154,634	(1,494 )	245,382
Net earnings				1,049		1,049
Vesting of restricted stock units	29	29	(29 )			-
Compensation expense associated with stock-based plans			845			845
Restricted stock units and stock options surrendered for withholding taxes payable			(168 )			(168 )
Cash dividends declared				(578 )		(578 )
Balance at March 30, 2019	19,252	\$19,252	\$ 73,667	\$155,105		