

KATY INDUSTRIES INC
Form 10-Q
August 16, 2004

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 Quarterly period ended: June 30, 2004

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 1-5558

Katy Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

75-1277589
(I.R.S. Employer Identification No.)

765 Straits Turnpike, Suite 2000, Middlebury, Connecticut 06762
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (203)598-0397

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 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
Common Stock, \$1 Par Value

Outstanding at August 13, 2004
7,870,377

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PART I FINANCIAL INFORMATIONItem 1. Financial Statements

KATY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Thousands of Dollars)
 (Unaudited)

ASSETS

| | <u>June 30,</u> <u>2004</u> | <u>December 31,</u> <u>2003</u> |
|--|-----------------------------------|------------------------------------|
| <u>CURRENT ASSETS:</u> | | |
| <u>Cash and cash equivalents</u> | \$ 5,684 | \$ 6,748 |
| <u>Accounts receivable, net</u> | 61,007 | 65,197 |
| <u>Inventories, net</u> | 68,116 | 53,545 |
| <u>Other current assets</u> | 4,847 | 1,658 |
| <u>Total current assets</u> | <u>139,654</u> | <u>127,148</u> |
| <u>OTHER ASSETS:</u> | | |
| <u>Goodwill</u> | 10,215 | 10,215 |
| <u>Intangibles, net</u> | 21,647 | 22,399 |
| <u>Other</u> | 10,427 | 10,352 |
| <u>Total other assets</u> | <u>42,289</u> | <u>42,966</u> |
| <u>PROPERTY AND EQUIPMENT</u> | | |
| <u>Land and improvements</u> | 1,812 | 3,196 |
| <u>Buildings and improvements</u> | 14,188 | 17,198 |
| <u>Machinery and equipment</u> | 134,092 | 129,240 |
| <u>Less - Accumulated depreciation</u> | <u>150,092</u> <u>(83,778)</u> | <u>149,634</u> <u>(78,040)</u> |
| <u>Property and equipment, net</u> | <u>66,314</u> | <u>71,594</u> |
| <u>Total assets</u> | <u>\$ 248,257</u> | <u>\$ 241,708</u> |

See Notes to Condensed Consolidated Financial Statements.

KATY INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars, Except Share Data)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

| | <u>June 30,</u> <u>2004</u> | <u>December 31,</u> <u>2003</u> |
|--|--------------------------------|------------------------------------|
| <u>CURRENT LIABILITIES:</u> | | |
| Accounts payable | \$ 29,503 | \$ 37,259 |
| Accrued compensation | 5,022 | 6,212 |
| Accrued expenses | 38,276 | 40,238 |
| Current maturities of long-term debt | 2,857 | 2,857 |
| Revolving credit agreement | 43,022 | 36,000 |
| <u>Total current liabilities</u> | <u>118,680</u> | <u>122,566</u> |
| <u>LONG-TERM DEBT, less current maturities</u> | <u>16,429</u> | <u>806</u> |
| <u>OTHER LIABILITIES</u> | <u>14,077</u> | <u>16,044</u> |
| <u>Total liabilities</u> | <u>149,186</u> | <u>139,416</u> |
| <u>COMMITMENTS AND CONTINGENCIES (Notes 10 and 12)</u> | <u>-</u> | <u>-</u> |
| <u>STOCKHOLDERS' EQUITY</u> | | |
| 15% Convertible Preferred Stock, \$100 par value, authorized 1,200,000 shares, issued and outstanding 925,750 shares, liquidation value \$105,320 and \$98,396, respectively | 100,431 | 93,507 |
| Common stock, \$1 par value authorized 35,000,000 shares, issued 9,822,204 shares | 9,822 | 9,822 |
| Additional paid-in capital | 33,508 | 40,441 |
| Accumulated other comprehensive income | 2,296 | 2,387 |
| Accumulated deficit | (24,201) | (21,137) |
| Treasury stock, at cost, 1,951,827 and 1,941,327 shares, respectively | (22,785) | (22,728) |
| <u>Total stockholders' equity</u> | <u>99,071</u> | <u>102,292</u> |
| <u>Total liabilities and stockholders' equity</u> | <u>\$ 248,257</u> | <u>\$ 241,708</u> |
| See Notes to Condensed Consolidated Financial Statements. | | |

KATY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(Thousands of Dollars, Except Share and Per Share Data)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | \$ 100,522 | \$ 101,461 | \$ 200,417 | \$ 191,913 |
| Cost of goods sold | 87,261 | 87,512 | 170,526 | 163,679 |
| Gross profit | 13,261 | 13,949 | 29,891 | 28,234 |
| Selling, general and administrative expenses | (14,240) | (15,353) | (28,988) | (30,171) |
| Severance, restructuring and related income (charges) | 109 | (1,713) | (1,789) | (1,941) |
| Impairments of long-lived assets | - | (1,800) | - | (1,800) |
| Operating loss | (870) | (4,917) | (886) | (5,678) |
| Equity in income (loss) of equity method investment | - | 156 | - | (211) |
| Gain on sale of assets | 549 | 50 | 549 | 803 |
| Interest expense | (997) | (1,186) | (1,797) | (3,613) |
| Other, net | 144 | 448 | (231) | 444 |
| Loss before provision for income taxes | (1,174) | (5,449) | (2,365) | (8,255) |
| Provision for income taxes | (109) | (102) | (699) | (75) |
| Loss from continuing operations before distributions on preferred interest of subsidiary | (1,283) | (5,551) | (3,064) | (8,330) |
| Distributions on preferred interest of subsidiary (net of tax) | - | - | - | (123) |
| Loss from continuing operations | (1,283) | (5,551) | (3,064) | (8,453) |
| Income from operations of discontinued businesses (net of tax) | - | 545 | - | 1,603 |
| Loss on sale of discontinued business | - | (196) | - | (196) |
| Net loss | (1,283) | (5,202) | (3,064) | (7,046) |
| | - | - | - | 6,560 |

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| | | | | |
|--|---------|---------|---------|---------|
| Gain on early redemption of preferred interest of subsidiary | | | | |
| Payment in kind dividends on convertible preferred stock | (3,462) | (3,011) | (6,924) | (6,025) |