

ACETO CORP
Form 10-Q
February 07, 2014

**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 December 31, 2013
Commission file number 000-04217

ACETO CORPORATION
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

11-1720520
(I.R.S. Employer Identification
Number)

4 Tri Harbor Court, Port Washington, NY 11050
(Address of principal executive offices)

(516) 627-6000
(Registrant's telephone number, including area code)

www.aceto.com
(Registrant's website address)

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 website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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. (Check one):

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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

The registrant had 28,380,006 shares of common stock outstanding as of February 3, 2014.

ACETO CORPORATION AND SUBSIDIARIES
 QUARTERLY REPORT FOR THE PERIOD ENDED DECEMBER 31, 2013

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACETO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share amounts)

	December 31, 2013 (unaudited)	June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$41,967	\$33,231
Investments	1,693	2,144
Trade receivables, less allowance for doubtful accounts (December 31, 2013, \$1,285; June 30, 2013, \$1,294)	87,966	90,108
Other receivables	5,663	5,283
Inventory	94,651	83,849
Prepaid expenses and other current assets	3,043	2,984
Deferred income tax asset, net	885	701
Total current assets	235,868	218,300
Property and equipment, net	11,443	11,410
Property held for sale	4,058	4,058
Goodwill	33,804	33,526
Intangible assets, net	38,894	40,831
Deferred income tax asset, net	8,106	8,055
Other assets	7,589	7,250
TOTAL ASSETS	\$339,762	\$323,430
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$8,197	\$11,714
Accounts payable	40,066	39,222
Accrued expenses	41,710	38,971
Total current liabilities	89,973	89,907
Long-term debt	16,256	20,355
Long-term liabilities	11,183	13,413
Environmental remediation liability	4,319	5,109
Deferred income tax liability	9	6
Total liabilities	121,740	128,790
Commitments and contingencies (Note 6)		

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Shareholders' equity:

Common stock, \$.01 par value, 40,000 shares authorized; 28,367 and 27,831 shares issued and outstanding at December 31, 2013 and June 30, 2013, respectively	284	278
Capital in excess of par value	78,304	72,845
Retained earnings	133,304	118,615
Accumulated other comprehensive income	6,130	2,902
Total shareholders' equity	218,022	194,640
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$339,762	\$323,430

See accompanying notes to condensed consolidated financial statements and accountants' review report.

ACETO
CORPORATION
AND SUBSIDIARIES
CONDENSED
CONSOLIDATED
STATEMENTS OF
INCOME
(unaudited and in
thousands, except
per-share amounts)

	Six Months Ended December 31,	
	2013	2012
Net sales	\$245,769	\$225,704
Cost of sales	185,051	183,491
Gross profit	60,718	42,213
Selling, general and administrative expenses	30,831	26,932
Research and development expenses	1,728	1,056
Operating income	28,159	14,225
Other income (expense):		
Interest expense	(890)	(1,078)
Interest and other income, net	1,035	1,573
	145	495
Income before income taxes	28,304	14,720
Income tax provision	10,214	5,387
Net income	\$18,090	\$9,333
Net income per common share	\$0.65	\$0.35
Diluted net income per common share	\$0.64	\$0.34
Weighted average shares outstanding:		
Basic	27,790	26,882
Diluted	28,404	27,272

See accompanying notes to condensed consolidated financial statements and accountants' review report.

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	Three Months Ended December 31,	
	2013	2012
Net sales	\$ 116,508	\$ 113,956
Cost of sales	89,524	93,248
Gross profit	26,984	20,708
Selling, general and administrative expenses	15,067	13,945
Research and development expenses	1,174	151
Operating income	10,743	6,612
Other income (expense):		
Interest expense	(437)	(532)
Interest and other income, net	424	1,018
	(13)	486
Income before income taxes	10,730	7,098
Income tax provision	3,975	2,585
Net income	\$6,755	\$4,513
Net income per common share	\$0.24	\$0.17
Diluted net income per common share	\$0.24	\$0.17
Weighted average shares outstanding:		
Basic	27,873	26,959
Diluted	28,467	27,316

See accompanying notes to condensed consolidated financial statements and accountants' review report.

ACETO CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (unaudited and in thousands)

	Six Months Ended December 31,		Three Months Ended December 31,	
	2013	2012	2013	2012
Net income	\$18,090	\$9,333	\$6,755	\$4,513
Other comprehensive income:				
Foreign currency translation adjustments	3,156	2,311	1,106	1,269
Change in fair value of interest rate swaps	72	53	41	58
Comprehensive income	\$21,318	\$11,697	\$7,902	\$5,840

See accompanying notes to condensed consolidated financial statements and accountants' review report.

ACETO CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited and in thousands)

	Six Months Ended December 31,	
	2013	2012
Operating activities:		
Net income	\$18,090	\$9,333
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,567	3,475
Provision for doubtful accounts	(41)	30
Non-cash stock compensation	1,772	906
Deferred income taxes	(219)	(52)
Earnings on equity investment in joint venture	(898)	(1,217)
Changes in assets and liabilities:		
Trade accounts receivable	3,923	(2,118)
Other receivables	(198)	(761)
Inventory	(9,154)	(11,279)
Prepaid expenses and other current assets	41	(64)
Other assets	959	76
Accounts payable	(62)	1,332
Accrued expenses and other liabilities	(1,827)	2,388
Net cash provided by operating activities	15,953	2,049
Investing activities:		