

AMERICAN VANGUARD CORP

Form 10-Q

May 04, 2016

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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 MARCH 31, 2016**

.. **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 001-13795**

**AMERICAN VANGUARD CORPORATION**

**Delaware**  
**(State or other jurisdiction of**  
**Incorporation or organization)**

**95-2588080**  
**(I.R.S. Employer**  
**Identification Number)**

**4695 MacArthur Court, Newport Beach, California**  
**(Address of principal executive offices)**  
**(949) 260-1200**

**92660**  
**(Zip Code)**

**(Registrant's telephone number, including area code)**

**(Former name, former address and former fiscal year, if changed since last report)**

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.10 Par Value 29,149,049 shares as of April 25, 2016.

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**AMERICAN VANGUARD CORPORATION**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(Unaudited)**

	<b>For the three months ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Net sales	\$ 69,474	\$ 66,565
Cost of sales	41,971	41,915
Gross profit	27,503	24,650
Operating expenses	22,873	24,344
Operating income	4,630	306
Interest expense	541	641
Income (loss) before provision for income taxes and loss on equity investment	4,089	(335)
Income taxes expense (benefit)	1,060	(292)
Income (loss) before loss on equity investment	3,029	(43)
Net loss from equity method investment	(82)	
Net income (loss)	2,947	(43)
Net (income) loss attributable to non-controlling interest	(153)	94
Net income attributable to American Vanguard	2,794	51
Earnings per common share basic	\$ .10	\$ .00
Earnings per common share assuming dilution	\$ .10	\$ .00
Weighted average shares outstanding basic	28,808	28,527
Weighted average shares outstanding assuming dilution	29,307	28,839

See notes to the condensed consolidated financial statements.



**Table of Contents****AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data)****ASSETS****(Unaudited)**

	<b>Mar. 31, 2016</b>	<b>Dec. 31, 2015</b>
Current assets:		
Cash and cash equivalents	\$ 7,916	\$ 5,524
Receivables:		
Trade, net of allowance for doubtful accounts of \$388 and \$423, respectively	82,687	72,835
Other	2,904	2,554
Total receivables, net	85,591	75,389
Inventories	144,415	136,477
Prepaid expenses	12,354	11,172
Income taxes receivable		168
Deferred income tax assets	8,101	8,101
Total current assets	258,377	236,831
Property, plant and equipment, net	46,433	47,972
Intangible assets, net of applicable amortization	127,131	129,160
Other assets	31,581	29,576
	\$ 463,522	\$ 443,539

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:		
Current installments of other notes payable	\$ 37	\$ 55
Current installments of other liabilities	200	514
Accounts payable	28,374	15,343
Deferred revenue	7,040	8,888
Accrued program costs	52,002	44,371
Accrued expenses and other payables	6,992	7,111
Income tax payable	1,002	
Total current liabilities	95,647	76,282
Long-term debt and other notes payable, excluding current installments	65,763	68,321
Other liabilities, excluding current installments	3,022	3,054
Deferred income tax liabilities	27,556	27,556

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Total liabilities	191,988	175,213
Commitments and contingent liabilities		
Stockholders' equity:		
Preferred stock, \$.10 par value per share; authorized 400,000 shares; none issued		
Common stock, \$.10 par value per share; authorized 40,000,000 shares; issued 31,596,302 shares at March 31, 2016 and 31,638,225 shares at December 31, 2015	3,160	3,164
Additional paid-in capital	68,714	68,534
Accumulated other comprehensive loss	(3,456)	(3,541)
Retained earnings	211,301	208,507
	279,719	276,664
Less treasury stock at cost, 2,450,634 shares at March 31, 2016 and December 31, 2015	(8,269)	(8,269)
American Vanguard Corporation stockholders' equity	271,450	268,395
Non-controlling interest	84	(69)
Total stockholders' equity	271,534	268,326
	\$ 463,522	\$ 443,539

See notes to the condensed consolidated financial statements.



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**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**

(In thousands, except per share data)

For The Three Months Ended March 31, 2016

(Unaudited)

	Common Stock		Accumulated			Treasury Stock		Non-AVD Controlling		
	Shares	Amount	Additional Paid-in Capital	Other Comprehensive Loss	Retained Earnings	Shares	Amount	Total	Interest	Total
<b>Balance, December 31, 2015</b>	31,638,225	\$ 3,164	\$ 68,534	\$ (3,541)	\$ 208,507	2,450,634	\$ (8,269)	\$ 268,395	\$ (69)	\$ 268,326
Stocks issued under ESPP	19,627	2	269					271		271
Foreign currency translation adjustment, net				85				85		85
Stock based compensation			456					456		456
Stock options exercised and grants and vesting of restricted stock units	(61,550)	(6)	(580)					(586)		(586)
Excess tax benefits from share based payment arrangements			35					35		35
Net income					2,794			2,794	153	2,947
<b>Balance, March 31, 2016</b>	31,596,302	\$ 3,160	\$ 68,714	\$ (3,456)	\$ 211,301	2,450,634	\$ (8,269)	\$ 271,450	\$ 84	\$ 271,534

See notes to the condensed consolidated financial statements.



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**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(In thousands, except per share data)**

**(Unaudited)**

	<b>For the three months ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Net income attributable to American Vanguard	2,794	51
Foreign currency translation adjustment	85	(248)
Comprehensive income (loss)	\$ 2,879	\$ (197)

See notes to the condensed consolidated financial statements.

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**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>For the three months ended March 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 2,947	\$ (43)
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Depreciation and amortization of fixed and intangible assets	4,315	3,954
Amortization of other long term assets	1,092	1,430
Amortization of discounted liabilities	9	49
Stock-based compensation	456	1,427
Tax benefit from exercise of stock options	(35)	(1)
Operating loss from equity method investment	82	
<b>Changes in assets and liabilities associated with operations:</b>		
(Increase) decrease in net receivables	(10,202)	3,611
Increase in inventories	(7,938)	(1,350)
Increase in prepaid expenses and other assets	(1,036)	(1,301)
Decrease (increase) in income tax receivable/payable, net	1,205	(378)
Increase in accounts payable	13,031	3,570
(Decrease) increase in deferred revenue	(1,848)	3,660
Increase in other payables and accrued expenses	7,512	5,214
<b>Net cash provided by operating activities</b>	<b>9,590</b>	<b>19,842</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(715)	(1,522)
Investment	(3,283)	
<b>Net cash used in investing activities</b>	<b>(3,998)</b>	<b>(1,522)</b>
<b>Cash flows from financing activities:</b>		
Net payments under line of credit agreement	(2,600)	(14,400)
Payments on other long-term liabilities	(373)	(351)
Tax benefit from exercise of stock options	35	1
Increase in other notes payable		200
Net payments from the issuance of common stock (sale of stock under ESPP and exercise of stock options)	(315)	(965)
Payment of cash dividends		(569)

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Net cash used in by financing activities	(3,253)	(16,084)
Net increase in cash and cash equivalents	2,339	2,236
Cash and cash equivalents at beginning of period	5,524	4,885
Effect of exchange rate changes on cash	53	(251)