

WMS INDUSTRIES INC /DE/
Form 10-Q
May 05, 2010
Table of Contents

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010

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: 1-8300

WMS INDUSTRIES INC.

(Exact name of registrant as specified in its Charter)

Delaware
(State or other Jurisdiction of
incorporation or organization)

36-2814522
(I.R.S. Employer
Identification No.)

800 South Northpoint Blvd.

Waukegan, IL 60085

(Address of Principal Executive Offices)

(847) 785-3000

(Registrant's telephone number, including area code)

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 (§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):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 57,956,557 shares of common stock, \$0.50 par value, were outstanding at April 30, 2010.

Table of Contents

WMS INDUSTRIES INC.

INDEX

	Page
Part I. <u>Financial Information</u>	3
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Statements of Income (unaudited) for the Three and Nine Months Ended March 31, 2010 and 2009</u>	3
<u>Condensed Consolidated Balance Sheets as of March 31, 2010 (unaudited) and June 30, 2009</u>	4
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the Nine Months Ended March 31, 2010 and 2009</u>	5
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
Item 4. <u>Controls and Procedures</u>	44
Part II. <u>Other Information</u>	44
Item 1. <u>Legal Proceedings</u>	44
Item 1A. <u>Risk Factors</u>	44
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 3. <u>Defaults Upon Senior Securities</u>	45
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	46
Item 5. <u>Other Information</u>	46
Item 6. <u>Exhibits</u>	47
<u>Signatures</u>	47

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WMS INDUSTRIES INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

For the Three and Nine Months Ended March 31, 2010 and 2009

(in millions of U.S. dollars and millions of shares, except per share amounts)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
REVENUES:				
Product sales	\$ 123.9	\$ 114.0	\$ 325.8	\$ 316.2
Gaming operations	73.6	66.8	225.9	194.4
Total revenues	197.5	180.8	551.7	510.6
COSTS AND EXPENSES:				
Cost of product sales(1)	57.6	53.4	154.9	154.1
Cost of gaming operations(1)	14.0	10.1	43.5	34.0
Research and development	26.7	24.8	79.1	72.7
Selling and administrative	38.0	37.0	107.8	105.6
Depreciation (1)	16.7	17.3	50.9	51.4
Total costs and expenses	153.0	142.6	436.2	417.8
OPERATING INCOME	44.5	38.2	115.5	92.8
Interest expense	(0.4)	(0.9)	(2.9)	(3.1)
Interest income and other income and expense, net	1.1	0.6	4.2	6.5
Income before income taxes	45.2	37.9	116.8	96.2
Provision for income taxes	12.2	13.5	37.5	32.4
NET INCOME	\$ 33.0	\$ 24.4	\$ 79.3	\$ 63.8
Earnings per share:				
Basic	\$ 0.57	\$ 0.50	\$ 1.43	\$ 1.29
Diluted	\$ 0.55	\$ 0.43	\$ 1.32	\$ 1.10
Weighted-average common shares:				
Basic common stock outstanding	57.9	48.8	55.4	49.3
Diluted common stock and common stock equivalents	60.1	58.2	60.3	59.1

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(1) Cost of product sales and cost of gaming operations exclude the following amounts of depreciation, which are included in the depreciation line item:

Cost of product sales	\$ 1.1	\$ 1.1	\$ 3.2	\$ 3.0
Cost of gaming operations	\$ 10.8	\$ 13.0	\$ 33.8	\$ 39.5

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**WMS INDUSTRIES INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

March 31, 2010 and June 30, 2009

(in millions of U.S. dollars and millions of shares)

	March 31, 2010 (unaudited)	June 30, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 144.3	\$ 135.7
Restricted cash and cash equivalents	17.1	19.0
Total cash, cash equivalents and restricted cash	161.4	154.7
Accounts and notes receivable, net	255.3	214.2
Inventories	58.9	43.1
Other current assets	44.1	38.0
Total current assets	519.7	450.0
NON-CURRENT ASSETS:		
Gaming operations equipment, net of accumulated depreciation of \$239.7 and \$211.3, respectively	62.4	68.0
Property, plant and equipment, net of accumulated depreciation of \$89.8 and \$73.9, respectively	179.2	158.8
Intangible assets, net	99.1	99.3
Deferred income tax assets	29.5	31.2
Other assets, net	51.9	48.7
Total non-current assets	422.1	406.0
TOTAL ASSETS	\$ 941.8	\$ 856.0
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 50.9	\$ 50.4
Accrued compensation and related benefits	21.6	27.9
Other accrued liabilities	41.2	37.4
Total current liabilities	113.7	115.7
NON-CURRENT LIABILITIES:		
Deferred income tax liabilities	18.3	17.8
Long-term debt	9.9	115.0
Other non-current liabilities	11.7	16.1
Total non-current liabilities	39.9	148.9
Commitments, contingencies and indemnifications (see Note 11)		
STOCKHOLDERS EQUITY:		
Preferred stock (5.0 shares authorized, none issued)		
Common stock (200.0 and 100.0 shares authorized and 59.0 and 51.0 shares issued, respectively)	29.5	25.5

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Additional paid-in capital	421.7	311.9
Retained earnings	375.4	296.1
Accumulated other comprehensive income	(1.5)	3.3
Treasury stock, at cost (1.0 and 1.8 shares, respectively)	(36.9)	(45.4)
Total stockholders equity	788.2	591.4
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 941.8	\$ 856.0

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**WMS INDUSTRIES INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Nine Months Ended March 31, 2010 and 2009

(in millions of U.S. dollars)

(Unaudited)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 79.3	\$ 63.8
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	50.9	51.4
Amortization of intangible and other assets	16.7	14.4
Share-based compensation	14.9	12.7
Other non-cash items	(0.5)	16.8
Deferred income taxes	1.5	8.4
Tax benefit from the exercise of stock options	(13.2)	(0.3)
Change in operating assets and liabilities	(70.6)	(36.0)
Net cash provided by operating activities	79.0	131.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(39.4)	(41.1)
Additions to gaming operations equipment	(30.2)	(36.6)
Payments to acquire or license intangible and other assets	(6.4)	(9.3)
Net cash used in investing activities	(76.0)	(87.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from exercise of stock options and employee stock purchase plan	32.0	0.9
Tax benefit from exercise of stock options	13.2	0.3