

ACETO CORP
Form 10-Q
May 08, 2009

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 31, 2009
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)

One Hollow Lane, Lake Success, NY 11042
(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 ☐ 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 has 24,768,745 shares of common stock outstanding as of May 5, 2009.

ACETO CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 2009

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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)

	March 31, 2009 (unaudited)	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,263	\$ 46,515
Investments	487	548
Trade receivables, less allowance for doubtful accounts (March, \$1,007; June, \$477)	59,129	68,220
Other receivables	7,910	4,819
Inventory	63,572	71,109
Prepaid expenses and other current assets	1,183	817
Deferred income tax asset, net	1,797	1,756
Total current assets	173,341	193,784
Long-term notes receivable	-	347
Property and equipment, net	4,213	4,307
Property held for sale	6,978	6,978
Goodwill	1,801	1,987
Intangible assets, net	4,823	5,421
Deferred income tax asset, net	1,786	4,098
Other assets	5,488	5,321
TOTAL ASSETS	\$ 198,430	\$ 222,243
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 25,397	\$ 43,480
Note payable – related party	-	500
Accrued expenses	16,865	19,948
Deferred income tax liability	1,078	1,070
Total current liabilities	43,340	64,998
Long-term liabilities	7,049	7,034
Environmental remediation liability	7,578	7,578
Deferred income tax liability	444	1,751
Minority interest	464	473
Total liabilities	58,875	81,834
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock, \$.01 par value, 40,000 shares authorized; 25,644 shares issued; 24,766 and 24,446 shares outstanding at March 31, 2009 and June 30, 2008, respectively	256	256

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Capital in excess of par value	56,431	56,832
Retained earnings	86,880	81,778
Treasury stock, at cost, 878 and 1,198 shares at March 31, 2009 and June 30, 2008, respectively	(8,482)	(11,571)
Accumulated other comprehensive income	4,470	13,114
Total shareholders' equity	139,555	140,409
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 \$ 198,430	 \$ 222,243

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

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

	Nine Months Ended March 31,	
	2009	2008
Net sales	\$ 247,854	\$ 254,888
Cost of sales	203,917	211,803
Gross profit	43,937	43,085
Selling, general and administrative expenses	32,921	32,924
Research and development expenses	153	632
Operating income	10,863	9,529
Other income (expense):		
Interest expense	(67)	(63)
Interest and other income, net	465	596
	398	533
Income before income taxes	11,261	10,062
Provision for income taxes	3,683	4,566
Net income	\$ 7,578	\$ 5,496
Net income per common share	\$ 0.31	\$ 0.23
Diluted net income per common share	\$ 0.30	\$ 0.22
Weighted average shares outstanding:		
Basic	24,457	24,344
Diluted	24,976	24,806

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)

	Three Months Ended March 31,	
	2009	2008
Net sales	\$ 79,800	\$ 98,255
Cost of sales	66,545	82,212
Gross profit	13,255	16,043
Selling, general and administrative expenses	10,458	11,560
Research and development expenses	-	279
Operating income	2,797	4,204
Other (expense), income:		
Interest expense	(5)	(32)
Interest and other (expense), income , net	(263)	610
	(268)	578
Income before income taxes	2,529	4,782
Provision for income taxes	594	1,488
Net income	\$ 1,935	\$ 3,294
Net income per common share	\$ 0.08	\$ 0.14
Diluted net income per common share	\$ 0.08	\$ 0.13
Weighted average shares outstanding:		
Basic	24,569	24,348
Diluted	25,052	24,745

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)

	Nine Months Ended March 31,	
	2009	2008
Operating activities:		
Net income	\$ 7,578	\$ 5,496
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,258	1,935
Provision for doubtful accounts	520	15
Non-cash stock compensation	1,174	672
Deferred income taxes	972	1,297
Unrealized loss on trading securities	254	84
Changes in assets and liabilities:		
Investments-trading securities	-	325
Trade accounts receivable	5,137	(10,854)
Other receivables	(3,884)	(580)
Inventory	4,499	(295)
Prepaid expenses and other current assets	(407)	88
Other assets	(266)	(720)
Accounts payable	(16,534)	1,224
Other accrued expenses and liabilities	(880)	1,480
Net cash (used in) provided by operating activities	(579)	167
Investing activities:		
Payments received on notes receivable	413	73
Purchases of property and equipment, net	(376)	(1,000)
Purchases of investments	(10,204)	-
Maturities of investments	9,993	1,000
Sales of investments	-	500
Purchase of intangible assets	(420)	(25)
Net cash (used in) provided by investing activities	(594)	548
Financing activities:		