

EASTERN CO
Form 10-Q
April 29, 2016

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 April 2, 2016

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: 0599

THE EASTERN COMPANY
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of
incorporation or organization)

06-0330020
(I.R.S. Employer
Identification No.)

112 Bridge Street, Naugatuck, Connecticut
(Address of principal executive offices)

06770
(Zip Code)

(203) 729-2255
(Registrant's telephone number, including area code)

Not applicable
(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

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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 (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.

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.

Class	Outstanding as of April 27, 2016
Common Stock, No par value	6,250,207

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	April 2, 2016	January 2, 2016
Current Assets		
Cash and cash equivalents	\$ 16,728,086	\$ 17,814,986
Accounts receivable, less allowances: \$461,000 - 2016; \$450,000 - 2015	17,864,495	17,502,445
Inventories	35,684,938	36,842,413
Prepaid expenses and other assets	2,250,755	2,122,215
Deferred income taxes	986,167	986,167
Total Current Assets	73,514,441	75,268,226
Property, Plant and Equipment	63,813,669	63,438,241
Accumulated depreciation	(37,466,820)	(36,636,775)
	26,346,849	26,801,466
Goodwill	14,848,095	14,790,793
Trademarks	169,845	164,957
Patents, technology, and other intangibles net of accumulated amortization	2,032,599	2,113,576
Deferred income taxes	2,366,374	2,599,541
	19,416,913	19,668,867
TOTAL ASSETS	\$ 119,278,203	\$ 121,738,559

LIABILITIES AND SHAREHOLDERS' EQUITY	April 2, 2016	January 2, 2016
Current Liabilities		
Accounts payable	\$ 7,792,497	\$ 9,109,394
Accrued compensation	1,809,148	2,873,871
Other accrued expenses	1,589,817	1,751,052
Current portion of long-term debt	1,250,000	1,428,571
Total Current Liabilities	12,441,462	15,162,888
Other long-term liabilities	286,920	286,920
Long-term debt, less current portion	1,250,000	1,785,714
Accrued postretirement benefits	744,473	793,055
Accrued pension cost	24,547,739	24,304,926
Shareholders' Equity		
Voting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Nonvoting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Common Stock, no par value:		
Authorized: 50,000,000 shares		
Issued: 8,944,936 shares in 2016 and 8,942,461 shares in 2015	29,036,652	28,997,050
Treasury Stock: 2,694,729 shares in 2016 and 2015	(19,105,723)	(19,105,723)
Retained earnings	90,557,674	90,597,041
Accumulated other comprehensive income (loss):		
Foreign currency translation	(976,311)	(1,154,098)
Unrecognized net pension and postretirement benefit costs, net of tax	(19,504,683)	(19,929,214)
Accumulated other comprehensive loss	(20,480,994)	(21,083,312)
Total Shareholders' Equity	80,007,609	79,405,056
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 119,278,203	\$ 121,738,559

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
	April 2, 2016	April 4, 2015
Net sales	\$ 33,101,657	\$ 36,876,842
Cost of products sold	(26,681,211)	(29,541,664)
Gross margin	6,420,446	7,335,178
 Selling and administrative expenses	 (5,459,582)	 (5,963,695)
Operating profit	960,864	1,371,483
 Interest expense	 (36,285)	 (52,825)
Other income	21,374	7,007
Income before income taxes	945,953	1,325,665
 Income taxes	 297,880	 451,714
Net income	\$ 648,073	\$ 873,951
 Earnings per share:		
Basic	\$.10	\$.14
 Diluted	 \$.10	 \$.14
 Cash dividends per share:	 \$.11	 \$