LINDSAY CORP
Form 10-Q
January 08, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(MARK ONE)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-13419

Lindsay Corporation

(Exact name of registrant as specified in its charter)

Delaware	**47-0554096**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2707 North 108th Street, Suite 102, Omaha, Nebraska	**68164**
(Address of principal executive offices)	(Zip Code)

402-428-2131

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 þ No o

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):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of December 28, 2006**,** 11,630,044 shares of the registrant s common stock were outstanding.

Lindsay Corporation and Subsidiaries
INDEX FORM 10-Q

Part I FINANCIAL INFORMATION
ITEM 1 ***Condensed Consolidated Financial Statements***

Lindsay Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
November 30, 2006 and 2005 and August 31, 2006

($ in thousands, except par values)	**(Unaudited) November 2006**	**(Unaudited) November 2005**	**August 2006**
ASSETS			
Current assets:			
Cash and cash equivalents	$ 19,699	$ 21,991	$ 43,344
Marketable securities	21,792	12,570	10,179
Receivables, net (net of allowance, $696, $711 and $595, respectively)	46,539	33,949	38,115
Inventories, net	34,656	22,707	26,818
Deferred income taxes		3,617	
Other current assets	4,602	3,454	3,947
Total current assets	127,288	98,288	122,403
Long-term marketable securities	4,378	14,772	5,778
Property, plant and equipment, net	27,157	17,274	26,981
Other intangible assets, net	20,704	644	20,998
Goodwill, net	11,134	1,372	11,129
Other noncurrent assets	6,949	5,511	4,945
Total assets	$ 197,610	$ 137,861	$ 192,234
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 12,951	$ 8,554	$ 9,565
Current portion of long-term debt	4,286		4,286
Other current liabilities	25,931	14,130	23,619
Total current liabilities	43,168	22,684	37,470
Pension benefits liabilities	5,047	5,183	5,003
Long-term debt	24,643		25,714
Other noncurrent liabilities	1,042	162	3,147
Total liabilities	73,900	28,029	71,334
Shareholders equity:			
Preferred stock, ($1 par value, 2,000,000 shares authorized, no shares issued and outstanding)			
	17,678	17,569	17,600

Common stock, ($1 par value, 25,000,000 shares authorized 17,678,151, 17,568,931 and 17,600,686 shares issued and outstanding in November 2006 and 2005 and August 2005, respectively)			
Capital in excess of stated value	7,667	4,037	5,896
Retained earnings	193,347	183,264	192,319
Less treasury stock (at cost, 6,048,448 shares)	(96,547)	(96,547)	(96,547)
Accumulated other comprehensive income, net	1,565	1,509	1,632
Total shareholders equity	123,710	109,832	120,900
Total liabilities and shareholders equity	$ 197,610	$ 137,861	$ 192,234

The accompanying notes are an integral part of the condensed consolidated financial statements.

Lindsay Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three-months November 30, 2006 and 2005
(Unaudited)

	Three Months Ended	
(in thousands, except per share amounts)	**November 2006**	**November 2005**
Operating revenues	$ 51,532	$ 39,504
Cost of operating revenues	39,067	32,077
Gross profit	12,465	7,427
Operating expenses:		
Selling expense	3,613	2,848
General and administrative expense	5,435	3,569
Engineering and research expense	806	647
Total operating expenses	9,854	7,064
Operating income	2,611	363
Other income (expense):		
Interest expense	(487)	(17)
Interest income	636	444
Other, net	(16)	2
Earnings before income taxes	2,744	792
Income tax provision	961	281
Net earnings	$ 1,783	$ 511
Basic net earnings per share	$ 0.15	$ 0.04
Diluted net earnings per share	$ 0.15	$ 0.04
Average shares outstanding	11,577	11,523
Diluted effect of stock equivalents	279	143
Average shares outstanding assuming dilution	11,856	11,666

Cash dividends per share	$ 0.065	$ 0.060

The accompanying notes are an integral part of the condensed consolidated financial statements.

Lindsay Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-months ended November 30, 2006 and 2005
(Unaudited)

($ in thousands)	**November 2006**	**November 2005**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 1,783	$ 511
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	1,531	831
Amortization of marketable securities premiums, net	18	63
(Gain) loss on sale of property, plant and equipment	(17)	57
Provision for uncollectible accounts receivable	10	23
Deferred income taxes	392	(444)
Stock-based compensation expense	431	356
Other, net	78	(42)
Changes in assets and liabilities:		
Receivables, net	(8,415)	(4,182)
Inventories, net	(7,775)	(3,428)
Other current assets	(660)	(427)
Accounts payable, trade	3,311	1,896
Other current liabilities	(637)	(389)
Current taxes payable	(1,277)	833
Other noncurrent assets and liabilities	(628)	314
Net cash used in operating activities	(11,855)	(4,028)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,232)	(819)
Proceeds from sale of property, plant and equipment	16	5
Purchases of marketable securities available-for-sale	(44,245)	
Proceeds from maturities or sales of marketable securities available-for-sale	34,060	1,805
Net cash (used in) provided by investing activities	(11,401)	991
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock under stock option plan	1,247	9
Principal payments on long-term borrowing	(1,071)	
Excess tax benefits from stock-based compensation	93	
Dividends paid	(755)	(691)
Net cash used in financing activities	(486)	(682)
Effect of exchange rate changes on cash	97	146

Net decrease in cash and cash equivalents	(23,645)	(3,573)
Cash and cash equivalents, beginning of period	43,344	25,564
Cash and cash equivalents, end of period	$ 19,699	$ 21,991

The accompanying notes are an integral part of the condensed consolidated financial statements.

Lindsay Corporation and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Condensed Consolidated Financial Statements

The condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America for financial statements contained in Lindsay Corporation s (the Company) annual Form 10-K filing. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s most recent Form 10-K for the fiscal year ended August 31, 2006.

In the opinion of management, the condensed consolidated financial statements of the Company reflect all adjustments of a normal recurring nature necessary to present a fair statement of the financial position and the results of operations and cash flows for the respective interim periods. The results for interim periods are not necessarily indicative of trends or results expected by the Company for a full year.

Notes to the condensed consolidated financial statements describe various elements of the financial statements and the accounting policies, estimates, and assumptions applied by management. While actual results could differ from those estimated by management in the preparation of the condensed consolidated financial statements, management believes that the accounting policies, assumptions, and estimates applied promote the representational faithfulness, verifiability, neutrality, and transparency of the accounting information included in the condensed consolidated financial statements.

(2) Cash Equivalents, Marketable Securities, and Long-term Marketable Securities

Cash equivalents are included at cost, which approximates market. At November 30, 2006, a single financial institution held substantially all the Company s cash equivalents. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents, while those having original maturities in excess of three months are classified as marketable securities or as long-term marketable securities when maturities are in excess of one year. Marketable securities and long-term marketable securities consist of investment-grade municipal bonds.

At the date of acquisition of an investment security, management designates the security as belonging to a trading portfolio, an available-for-sale portfolio, or a held-to-maturity portfolio. Currently, the Company classifies investment securities as available-for-sale and carries such investment securities at fair value. Unrealized appreciation or depreciation in the fair value of available-for-sale securities is reported in accumulated other comprehensive income, net of related income tax effects. The Company monitors its investment portfolio for any decline in fair value that is other-than-temporary and records any such impairment as an impairment loss. No impairment losses for other-than-temporary declines in fair value have been recorded in the three-months ended November 30, 2006 and 2005. In the opinion of management, the Company is not subject to material market risks with respect to its portfolio of investment securities because the relatively short maturities of these securities make their value less susceptible to interest rate fluctuations.

Proceeds, gains, and losses from maturities or sales of available-for-sale securities are as follows:

	Three-months ended November 30,	
$ in thousands	**2006**	**2005**
Proceeds from maturities or sales	$34,060	$1,805
Gross realized gains	$	$
Gross realized (losses)	$	$

Amortized cost and fair value of investments in marketable securities classified as available-for-sale according to management s intent are summarized as follows:

$ in thousands	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
As of November 30, 2006:				
Due within one year	$ 21,826	$	$ (34)	$ 21,792
Due after one year through five years	4,446		(68)	4,378
	$ 26,272	$	$ (102)	$ 26,170
As of November 30, 2005:				
Due within one year	$ 12,629	$ 13	$ (72)	$ 12,570
Due after one year through five years	14,981	1	(210)	14,772
	$ 27,610	$ 14	$ (282)	$ 27,342
As of August 31, 2006:				
Due within one year	$ 10,238	$ 3	$ (62)	$ 10,179
Due after one year through five years	5,867		(89)	5,778
	$ 16,105	$ 3	$ (151)	$ 15,957

(3) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for the Company s Lindsay, Nebraska inventory and two warehouses in Idaho and Texas. Cost is determined by the first-in, first-out (FIFO) method for inventory at its Barrier Systems Inc. (BSI) and China warehouse locations. Cost is determined by the weighted average method for inventories at the Company s other operating locations in Washington State, France, Brazil and South Africa. At all locations, the Company reserves for obsolete, slow moving, and excess inventory by estimating the net realizable value based on the potential future use of such inventory.

$ in thousands	November 2006	November 2005	August 2006
Inventory:			
First-in, first-out (FIFO) inventory	$ 22,172	$ 18,104	$ 16,301
LIFO reserves	(6,381)	(3,904)	(5,032)
LIFO inventory	15,791	14,200	11,269
Weighted average inventory	9,664	9,087	8,491
Other FIFO inventory	9,862		7,694
Obsolescence reserve	(661)	(580)	(636)
Total inventories	$ 34,656	$ 22,707	$ 26,818

The estimated percentage distribution between major classes of inventory before reserves is as follows:

	November 2006	November 2005	August 2006
Raw materials	17%	26%	39%
Work in process	5%	9%	17%
Finished goods and purchased parts	78%	65%	44%

(4) Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation, as follows:

$ in thousands	November 2006	November 2005	August 2006
Property, plant and equipment:			
Land	$ 1,228	$ 336	$ 1,222
Buildings	12,269	10,651	12,229
Equipment	44,894	41,169	43,687
Other	4,386	4,604	4,562
Total property, plant and equipment	62,777	56,760	61,700
Accumulated depreciation and amortization	(42,143)	(39,486)	(41,402)
Property, plant and equipment, net	$ 20,634	$ 17,274	$ 20,298
Rental property:			
Machines	$ 2,322	$	$ 2,322
Barriers	4,519		4,519
Total rental property	6,841		6,841
Accumulated depreciation and amortization	(318)		(158)
Total rental property, net	6,523		6,683
Property, plant and equipment, net	$ 27,157	$ 17,274	$ 26,981

Depreciation expense was $1.0 million and $782,000 for the three-months November 30, 2006 and 2005, respectively.

(5) Credit Arrangements

The Company s European subsidiary, Lindsay Europe, has an unsecured revolving line of credit with two commercial banks under which it could borrow up to 2.3 million Euros, which equates to approximately USD $3.0 million, for working capital purposes. As of November 30, 2006, there was no outstanding balance on this line. Under the terms of the line of credit, borrowings, if any, bear interest at a variable rate in effect from time to time designated by the commercial bank as Euro LIBOR+200 basis points (all inclusive, 4.8% at November 30, 2006).

The Company entered into an unsecured $30 million Term Note and Credit Agreement, each effective as of June 1, 2006, with Wells Fargo Bank, N.A. (collectively, the Credit Agreement) to partially finance the acquisition of BSI. Borrowings under the Credit Agreement bear interest at a variable rate equal to LIBOR plus 50 basis points. Principal is repaid quarterly in equal payments of $1.1 million over a seven-year period commencing September, 2006. The Credit Agreement contains certain covenants, including covenants relating to Lindsay s financial condition. Upon the occurrence of any event of default specified in the Credit Agreement, including a change in control of the Company (as defined in the Credit Agreement), all amounts due there under may be declared immediately due and payable.

In order to reduce interest rate risk on the $30 million Term Note, the Company has entered into an interest rate swap agreement with Wells Fargo Bank, N.A. which converts the variable interest rate on the entire amount of these borrowings to a fixed rate of 6.05% per annum. Under the terms of the interest rate swap, the Company receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. Changes in the fair value of the interest rate swap designated as a hedging instrument that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in accumulated other comprehensive income net of related income tax effects. For the three-months ended November 30, 2006, there were no amounts recorded in the condensed consolidated statement of operations for ineffectiveness of the hedged instrument. The Company does not enter into derivative instruments for any purpose other than cash-flow-hedging purposes. That is, the Company does not speculate using derivative instruments.

Term note payable consists of the following:

($ in thousands)	November 2006	November 2005	August 2006
Term note payable	$ 28,929	$	$ 30,000
Less current portion	(4,286)		(4,286)
Term note payable less current portion	$ 24,643	$	$ 25,714

Interest expense was $487,000 and $17,000 for the three-months ended November 30, 2006 and 2005, respectively. Principal payments due on the term note are as follows:

2007	$ 4,286
2008	4,286
2009	4,286
2010	4,286
2011	4,286
Thereafter	7,499
	$ 28,929

See Note 14, *Subsequent Event*, regarding a new credit agreement entered into by Lindsay Italia S.R.L., a wholly owned subsidiary of Lindsay Corporation, to finance the acquisition of Snoline, S.P.A. and the holding company of Snoline, Flagship Holding Ltd. (Snoline), which occurred on December 27, 2006.

(6) Net Earnings per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of stock options and restricted stock units.

Statement of Financial Accounting Standards No. 128, Earnings per Share, requires that employee equity share options, nonvested shares and similar equity instruments granted by the Company be treated as potential common shares outstanding in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of in-the-money options, which is calculated, based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of benefits that would be recorded in additional