STANDEX INTERNATIONAL CORP/DE/
Form 10-Q
February 13, 2012

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 quarter ended December 31, 2011 Commission File Number 1-7233

STANDEX INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	31-0596149
(State of incorporation)	*(IRS Employer Identification No.)*
11 KEEWAYDIN DRIVE, SALEM, NEW HAMPSHIRE	03079
(Address of principal executive offices)	*(Zip Code)*

(603) 893-9701

(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 [X] 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 [X] 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, non-accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer __

Accelerated filer X

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 [X]

The number of shares of Registrant's Common Stock outstanding on February 7, 2012 was 12,656,157.

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PART I. FINANCIAL INFORMATION

ITEM 1

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Balance Sheets

(In thousands)	December 31, 2011	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,745	$ 14,407
Accounts receivable, net	91,685	95,716
Inventories, net	78,186	74,805
Prepaid expenses and other current assets	6,734	5,345
Deferred tax asset	14,722	11,337
Current assets - discontinued operations	20,625	18,939
Total current assets	238,697	220,549
Property, plant, and equipment, net	84,162	87,088
Goodwill	100,502	102,439
Intangible assets, net	20,871	22,554
Other non-current assets	19,352	18,028
Non-current assets - discontinued operations	4,014	24,247
Total non-current assets	228,901	254,356
Total assets	$ 467,598	$ 474,905
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ -	$ 1,800
Current portion of long-term debt	3,300	3,300
Accounts payable	53,426	68,205
Accrued expenses	44,318	43,825
Income taxes payable	5,558	3,404
Current liabilities - discontinued operations	7,040	7,603
Total current liabilities	113,642	128,137
Long-term debt	61,000	46,500

Accrued pension and other non-current liabilities		47,719		48,175
Non-current liabilities - discontinued operations		727		6,480
Total non-current liabilities		109,446		101,155
Stockholders' equity:				
Common stock, par value $1.50 per share - 60,000,000				
shares authorized, 27,984,278 issued, 12,528,599 and				
12,448,632 outstanding at December 31, 2011 and June 30, 2011		41,976		41,976
Additional paid-in capital		32,805		33,228
Retained earnings		483,899		477,726
Accumulated other comprehensive loss		(51,216)		(44,928)
Treasury shares (15,455,679 shares at December 31, 2011				
and 15,535,646 shares at June 30, 2011)		(262,954)		(262,389)
Total stockholders' equity		244,510		245,613
Total liabilities and stockholders' equity	$	467,598	$	474,905

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands, except per share data)	**2011**	**2010**	**2011**	**2010**
Net sales	$154,868	$142,078	$314,174	$285,354
Cost of sales	104,598	94,257	211,158	188,779
Gross profit	50,270	47,821	103,016	96,575
Selling, general, and administrative expenses	35,193	34,330	71,303	67,085
Gain on sale of real estate	-	(292)	-	(3,368)
Restructuring costs	701	404	1,223	1,302
Total operating expenses	35,894	34,442	72,526	65,019
Income from operations	14,376	13,379	30,490	31,556
Interest expense	(428)	(472)	(900)	(1,181)
Other non-operating income (expense)	94	67	285	55
	14,042	12,974	29,875	30,430

Income from continuing operations before income taxes								
Provision for income taxes		3,965		3,646		7,979		9,223
Income from continuing operations		10,077		9,328		21,896		21,207
Loss from discontinued operations, net of income taxes		(14,193)		(309)		(14,054)		(1,200)
Net income (loss)		(4,116)		9,019		7,842		20,007
Basic earnings (loss) per share:								
Continuing operations	$	0.80	$	0.75	$	1.75	$	1.70
Discontinued operations		(1.13)		(0.03)		(1.12)		(0.10)
Total	$	(0.33)	$	0.72	$	0.63	$	1.60
Diluted earnings (loss) per share:								
Continuing operations	$	0.79	$	0.73	$	1.72	$	1.66
Discontinued operations		(1.11)		(0.02)		(1.11)		(0.09)
Total	$	(0.32)	$	0.71	$	0.61	$	1.57
Cash dividends per share	$	0.07	$	0.06	$	0.13	$	0.11

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Statements of Cash Flows

	Six Months Ended December 31,	
(In thousands)	**2011**	**2010**
Cash flows from operating activities		
Net income	$7,842	$20,007
Income (loss) from discontinued operations	(14,054)	(1,200)
Income from continuing operations	21,896	21,207
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,788	6,358

Stock-based compensation	1,370	1,676
Gain from sale of real estate	-	(3,368)
Non-cash portion of restructuring charges	85	372
Net changes in operating assets and liabilities	(21,127)	(1,574)
Net cash provided by operating activities - continuing operations	9,012	24,671
Net cash (used in) operating activities - discontinued operations	(2,456)	(2,951)
Net cash provided by operating activities	6,556	21,720
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(5,064)	(3,275)
Expenditures for acquisitions, net of cash acquired	-	(3,798)
Proceeds from sales of real estate and equipment	52	4,871
Other investing activity	2,848	(1,127)
Net cash (used in) investing activities - continuing operations	(2,164)	(3,329)
Net cash provided by investing activities - discontinued operations	1,619	(137)
Net cash (used in) investing activities	(545)	(3,466)
Cash flows from financing activities		
Borrowings on revolving credit facility	78,500	25,000
Payments of revolving credit facility	(64,000)	(52,500)
Short-term borrowings, net	(1,800)	2,063
Activity under share-based payment plans	168	177
Excess tax benefit from share-based payment activity	581	194
Purchases of treasury stock	(3,831)	(4,814)
Cash dividends paid	(1,627)	(1,378)
Net cash (used in) financing activities - continuing operations	7,991	(31,258)
Net cash (used in) financing activities - discontinued operations	-	-
Net cash (used in) financing activities	7,991	(31,258)
Effect of exchange rate changes on cash and cash equivalents	(1,664)	977
Net change in cash and cash equivalents	12,338	(12,027)
Cash and cash equivalents at beginning of year	14,407	33,630
Cash and cash equivalents at end of period	$26,745	$21,603

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1)

Management Statement

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of operations for the three and six months ended December 31, 2011 and 2010, the cash flows for the six months ended December 31, 2011 and 2010 and the financial position of the Company at December 31, 2011. The interim results are not necessarily indicative of results for a full year. The unaudited condensed consolidated financial statements and notes do not contain information which would substantially duplicate the disclosures contained in the audited annual consolidated financial statements and notes for the year ended June 30, 2011. The condensed consolidated balance sheet at June 30, 2011 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The financial statements contained herein should be read in conjunction with the Annual Report on Form 10-K and in particular the audited consolidated financial statements for the year ended June 30, 2011. Unless otherwise noted, references to years are to fiscal years.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. We evaluated subsequent events through the date and time our unaudited condensed consolidated financial statements were issued.

Recently Issued Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance for goodwill in order to simplify how companies test goodwill for impairment. The amendments permit a company to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, a company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We do not expect the adoption of this accounting pronouncement to have a material effect on our financial statements when implemented.

In June 2011, the FASB issued an amendment to the accounting guidance for presentation of comprehensive income. Under the amended guidance, a company may present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In either case, a company is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Regardless of choice in presentation, of which we are currently evaluating, a company is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB delayed indefinitely the portion of the guidance related to the presentation of reclassification adjustments in the income statement. For public companies, these amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and shall be applied retrospectively. Early adoption is permitted. Other than a change in presentation, the implementation of this accounting pronouncement is not expected to have a material impact on our financial statements when implemented.

In September 2011, the FASB issued an accounting standard update that requires employers that participate in multiemployer pension plans to provide additional quantitative and qualitative disclosures. The amended disclosures provide users with more detailed information about an employer's involvement in multiemployer pension plans and are effective for annual periods ending after December 15, 2011. Certain U.S. employees of the Company are covered by union-sponsored, multi-employer pension plans. We are currently evaluating the disclosure requirements of this accounting standard update.

2)

Asset Held For Sale

In December 2011, the Company entered into a plan to divest its Air Distribution Products (ADP) business unit in order to allow the Company to focus its financial assets and managerial resources on its remaining portfolio of businesses. The Company has concluded that all criteria of ASC 360-10 have been met as of December 31, 2011 to classify the business as an asset group held for sale. In conjunction with classifying ADP as held for sale, the Company has conducted an assessment of the recoverability of the net assets of the underlying business compared to its net realizable value based on a range of expected sale prices. As a result of this assessment, the Company has recorded impairment charges of $14.9 million to goodwill and $5.0 million to fixed assets in order to reflect the carrying value of ADP at its net realizable value. These charges are recorded as a component of discontinued operations. The Company expects a sale of ADP to be completed within 12 months.

As a result of this decision and the expected future sale, the Company is reporting the ADP segment as a discontinued operation for all periods presented in accordance with ASC 205-20. Results of the ADP segment in current and prior periods have been classified as discontinued in the Condensed Consolidated Financial Statements to exclude the results from continuing operations. The following selected financial data of the ADP segment for the three and six months ended December 31, 2011 and 2010 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as a stand-alone entity (amounts in thousands).

	Three Months Ended	Six Months Ended

	December 31,		December 31,	
	2011	2010	2011	2010
Net sales	$14,842	$13,445	$30,229	$27,228
Pre-tax earnings	(22,325)	(331)	(21,918)	(869)
Benefit for taxes	8,089	114	7,979	300
Net loss - Air Distribution Products Group	(14,236)	(217)	(13,939)	(569)
Other discontinued operations activity, net of tax	43	(92)	(115)	(631)
Net loss from discontinued operations	(14,193)	(309)	(14,054)	(1,200)

3)

Fair Value Measurements

Certain of our assets and liabilities, shown below, are presented at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in our balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and the methodologies used in valuation are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities. The Company s KEYSOP and deferred compensation plan assets consist of shares in various mutual funds (for the deferred compensation plan, investments are participant-directed) which invest in a broad portfolio of debt and equity securities. These assets are valued based on publicly quoted market prices for the funds shares as of the balance sheet dates.

Level 2 Inputs, other than quoted prices in an active market, that are observable either directly or indirectly through correlation with market data. For foreign exchange forward contracts and interest rate swaps, the Company values the instruments based on the market price of instruments with similar terms, which are based on spot and forward rates as of the balance sheet dates. The Company has considered the creditworthiness of counterparties in valuing all assets and liabilities

Level 3 Unobservable inputs based upon the Company s best estimate of what market participants would use in pricing the asset or liability. The Company does not hold any Level 3 instruments as of the balance sheet dates.

Cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value.

Items presented at fair value at December 31, 2011 and June 30, 2011 were (in thousands):

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Assets				

Marketable securities - KEYSOP Assets	$ 5,844	$ 5,844	$ -	$ -