

KEWAUNEE SCIENTIFIC CORP /DE/

Form 10-Q

December 12, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended October 31, 2014**

**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 0-5286**

**KEWAUNEE SCIENTIFIC CORPORATION**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State or other jurisdiction of</b>	<b>38-0715562</b>
<b>incorporation or organization)</b>	<b>(IRS Employer</b>
<b>2700 West Front Street</b>	<b>Identification No.)</b>
<b>Statesville, North Carolina</b>	<b>28677-2927</b>
<b>(Address of principal executive offices)</b>	<b>(Zip Code)</b>
<b>Registrant's telephone number, including area code: (704) 873-7202</b>	

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 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  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 definition 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 by Rule 12b-2 of the Exchange Act). Yes  No

As of December 8, 2014, the registrant had outstanding 2,626,848 shares of Common Stock.

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**KEWAUNEE SCIENTIFIC CORPORATION**

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## Part 1. Financial Information

**Item 1. Financial Statements***Kewaunee Scientific Corporation*

## Consolidated Statements of Operations

*(Unaudited)**(in thousands, except per share data)*

	<b>Three months ended October 31</b>		<b>Six months ended October 31</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 30,258	\$ 26,098	\$ 60,792	\$ 58,101
Costs of products sold	24,436	21,205	48,822	46,632
Gross profit	5,822	4,893	11,970	11,469
Operating expenses	3,950	3,759	8,298	7,903
Operating earnings	1,872	1,134	3,672	3,566
Other income	125	90	251	170
Interest expense	(102)	(72)	(183)	(160)
Earnings before income taxes	1,895	1,152	3,740	3,576
Income tax expense	667	406	1,252	1,213
Net earnings	1,228	746	2,488	2,363
Less: net earnings attributable to the noncontrolling interest	26	21	52	51
Net earnings attributable to Kewaunee Scientific Corporation	\$ 1,202	\$ 725	\$ 2,436	\$ 2,312
Net earnings per share attributable to Kewaunee Scientific Corporation stockholders				
Basic	\$ 0.46	\$ 0.28	\$ 0.93	\$ 0.89
Diluted	\$ 0.45	\$ 0.28	\$ 0.92	\$ 0.89
Weighted average number of common shares outstanding				
Basic	2,626	2,606	2,623	2,601
Diluted	2,659	2,633	2,655	2,618

*See accompanying notes to consolidated financial statements.*



**Table of Contents***Kewaunee Scientific Corporation*

## Consolidated Statements of Comprehensive Income

*(Unaudited)**(in thousands)*

	<b>Three months ended</b>		<b>Six months</b>	
	<b>October 31</b>		<b>ended</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net earnings	\$ 1,228	\$ 746	\$ 2,488	\$ 2,363
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(126)	91	(116)	(433)
Change in fair value of cash flow hedge	(11)	(23)	2	42
Other comprehensive income (loss)	(137)	68	(114)	(391)
Comprehensive income, net of tax	1,091	814	2,374	1,972
Less: comprehensive income attributable to the noncontrolling interest	26	21	52	51
Comprehensive income attributable to Kewaunee Scientific Corporation	\$ 1,065	\$ 793	\$ 2,322	\$ 1,921

*See accompanying notes to consolidated financial statements.*

**Table of Contents***Kewaunee Scientific Corporation*

## Consolidated Statement of Stockholders Equity

*(Unaudited)**(in thousands)*

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
<i>\$ in thousands, except per share amounts</i>						
Balance at April 30, 2014	\$ 6,557	\$ 1,642	\$ (57)	\$ 32,090	\$ (6,273)	\$ 33,959
Net earnings attributable to Kewaunee Scientific Corporation				2,436		2,436
Other comprehensive income (loss)					(114)	(114)
Cash dividends paid, \$0.23 per share				(603)		(603)
Stock options exercised, 22,825 shares	18	10	25			53
Stock based compensation		108				108
Purchase of treasury stock, 1,159 shares			(21)			(21)
Balance at October 31, 2014	\$ 6,575	\$ 1,760	\$ (53)	\$ 33,923	\$ (6,387)	\$ 35,818

*See accompanying notes to consolidated financial statements.*

**Table of Contents***Kewaunee Scientific Corporation*

## Consolidated Balance Sheets

*(in thousands)*

	<b>October 31, 2014 (Unaudited)</b>	<b>April 30, 2014</b>
<b><u>Assets</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 4,863	\$ 6,248
Restricted cash	2,869	368
Receivables, less allowance	24,074	23,473
Inventories	12,199	11,938
Deferred income taxes	644	646
Prepaid expenses and other current assets	1,224	680
<b>Total Current Assets</b>	<b>45,873</b>	<b>43,353</b>
Property, plant and equipment, at cost	47,915	46,391
Accumulated depreciation	(32,982)	(31,821)
<b>Net Property, Plant and Equipment</b>	<b>14,933</b>	<b>14,570</b>
Deferred income taxes	1,428	1,385
Other	3,595	3,409
<b>Total Other Assets</b>	<b>5,023</b>	<b>4,794</b>
<b>Total Assets</b>	<b>\$ 65,829</b>	<b>\$ 62,717</b>
<b><u>Liabilities and Equity</u></b>		
Current Liabilities:		
Short-term borrowings and interest rate swap	\$ 941	\$ 3,150
Current portion of long-term debt	421	421
Accounts payable	11,405	8,542
Employee compensation and amounts withheld	2,021	2,000
Deferred revenue	238	137
Other accrued expenses	2,960	1,913
<b>Total Current Liabilities</b>	<b>17,986</b>	<b>16,163</b>
Long-term debt	3,982	4,192
Accrued pension and deferred compensation costs	7,769	7,250
Other non-current liabilities		888
<b>Total Liabilities</b>	<b>29,737</b>	<b>28,493</b>
Commitments and Contingencies		



Equity:		
Common Stock	6,575	6,557
Additional paid-in-capital	1,760	1,642
Retained earnings	33,923	32,090
Accumulated other comprehensive loss	(6,387)	(6,273)
Common stock in treasury, at cost	(53)	(57)
Total Kewaunee Scientific Corporation Stockholders Equity	35,818	33,959
Noncontrolling interest	274	265
Total Equity	36,092	34,224
Total Liabilities and Equity	\$ 65,829	\$ 62,717

*See accompanying notes to consolidated financial statements.*

**Table of Contents***Kewaunee Scientific Corporation*

## Consolidated Statements of Cash Flows

*(Unaudited)**(in thousands)*

	<b>Six months ended</b>	
	<b>October 31</b>	
	<b>2014</b>	<b>2013</b>
<b><i>Cash flows from operating activities:</i></b>		
Net earnings	\$ 2,488	\$ 2,363
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,263	1,248
Bad debt provision	4	71
Stock based compensation expense	108	125
Provision for deferred income tax expense	(41)	(42)
Change in assets and liabilities:		
(Increase) decrease in receivables	(605)	5,363
(Increase) decrease in inventories	(261)	29
Increase (decrease) in accounts payable and other accrued expenses	3,931	(2,198)
Increase (decrease) in deferred revenue	101	(420)
Other, net	(226)	(343)
Net cash provided by operating activities	6,762	6,196
<b><i>Cash flows from investing activities:</i></b>		
Capital expenditures	(1,626)	(1,188)
(Increase) decrease in restricted cash	(2,501)	88
Net cash used in investing activities	(4,127)	(1,100)
<b><i>Cash flows from financing activities:</i></b>		
Dividends paid	(603)	(547)
Dividends paid to noncontrolling interest in subsidiaries	(38)	(38)
Decrease in short-term borrowings and interest rate swap	(2,209)	(4,278)
Proceeds from long-term debt		5,000
Payments on long-term debt	(210)	(3,643)
Payment toward purchase of noncontrolling interest in subsidiary	(888)	(1,780)
Net proceeds from exercise of stock options (including tax benefit)	32	59
Net cash used in financing activities	(3,916)	(5,227)
Effect of exchange rate changes on cash	(104)	(396)
<b><i>Decrease in cash and cash equivalents</i></b>	<b>(1,385)</b>	<b>(527)</b>
<b><i>Cash and cash equivalents, beginning of period</i></b>	<b>6,248</b>	<b>5,811</b>

<b><i>Cash and cash equivalents, end of period</i></b>	\$ 4,863	\$ 5,284
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***Supplemental Disclosure of Cash Flow Information***

Purchase of noncontrolling interest in subsidiary		
Other accrued expenses and other non-current liabilities	\$	\$ 1,775

*See accompanying notes to consolidated financial statements.*

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## Kewaunee Scientific Corporation

## Notes to Consolidated Financial Statements

(unaudited)

**A. Financial Information**

The unaudited interim consolidated financial statements of Kewaunee Scientific Corporation (the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the Commission). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These interim consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of these financial statements and should be read in conjunction with the consolidated financial statements and notes included in the Company's 2014 Annual Report to Stockholders. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. The consolidated balance sheet as of April 30, 2014 included in this interim period filing has been derived from the audited financial statements at that date, but does not include all of the information and related notes required by generally accepted accounting principles (GAAP) for complete financial statements.

The preparation of the interim consolidated financial statements requires management to make certain estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

**B. Earnings Per Share**

Basic earnings per share is based on the weighted average number of common shares outstanding during the three and six month periods. Diluted earnings per share reflects the assumed exercise and conversion of outstanding options under the Company's stock option plans, except when options have an anti-dilutive effect. Options to purchase 70,800 shares were not included in the computation of diluted earnings per share for the three and six month periods ended October 31, 2014, because the option exercise prices were greater than the average market price of the common shares at that date, and accordingly, such options would have an antidilutive effect. Options to purchase 48,050 shares were not included in the computation of diluted earnings per share for the three and six month periods ended October 31, 2013, because the effect would be anti-dilutive.

**C. Inventories**

Inventories consisted of the following (in thousands):

	<b>October 31, 2014</b>	<b>April 30, 2014</b>
Finished products	\$ 3,277	\$ 2,909
Work in process	1,570	1,550
Raw materials	7,352	7,479

\$ 12,199      \$ 11,938

For interim reporting, LIFO inventories are computed based on year-to-date quantities and interim changes in price levels. Changes in quantities and price levels are reflected in the interim consolidated financial statements in the period in which they occur.

**D. Segment Information**

The following table provides financial information by business segments for the three and six months ended October 31, 2014 and 2013 (in thousands):

	<b>Domestic Operations</b>	<b>International Operations</b>	<b>Corporate</b>	<b>Total</b>
<b>Three months ended October 31, 2014</b>				
Revenues from external customers	\$ 23,629	\$ 6,629	\$	\$ 30,258
Intersegment revenues	782	374	(1,156)	
Earnings (loss) before income taxes	2,059	769	(933)	1,895
<b>Three months ended October 31, 2013</b>				
Revenues from external customers	\$ 22,061	\$ 4,037	\$	\$ 26,098
Intersegment revenues	532	762	(1,294)	
Earnings (loss) before income taxes	1,382	584	(814)	1,152

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	<b>Domestic Operations</b>	<b>International Operations</b>	<b>Corporate</b>	<b>Total</b>
<b>Six months ended October 31, 2014</b>				
Revenues from external customers	\$ 47,877	\$ 12,915	\$	\$ 60,792
Intersegment revenues	906	906	(1,812)	
Earnings (loss) before income taxes	4,262	1,473	(1,995)	3,740
<b>Six months ended October 31, 2013</b>				
Revenues from external customers	\$ 49,134	\$ 8,967	\$	\$ 58,101
Intersegment revenues	1,936	1,248	(3,184)	
Earnings (loss) before income taxes	4,564	1,141	(2,129)	3,576

**E. Defined Benefit Pension Plans**

The Company has non-contributory defined benefit pension plans covering substantially all salaried and hourly employees. These plans were amended as of April 30, 2005, no further benefits have been, or will be, earned under the plans, subsequent to the amendment date, and no additional participants will be added to the plans. The Company did not make any contributions to the plans during the six months ended October 31, 2014. The Company expects to make contributions of \$775,000 to the plans in December 2014 for fiscal year 2015. Contributions of \$300,000 were made during the six months ended October 31, 2013.

Pension expense consisted of the following (in thousands):

	<b>Three months ended October 31, 2014</b>	<b>Three months ended October 31, 2013</b>
Service cost	\$ -0-	\$ -0-
Interest cost	225	217
Expected return on plan assets	(337)	(324)
Recognition of net loss	233	288
<b>Net periodic pension expense</b>	<b>\$ 121</b>	<b>\$ 181</b>
	<b>Six months ended October 31, 2014</b>	<b>Six months ended October 31, 2013</b>
Service cost	\$ -0-	\$ -0-
Interest cost	447	429
Expected return on plan assets	(662)	(641)
Recognition of net loss	467	571
<b>Net periodic pension expense</b>	<b>\$ 252</b>	<b>\$ 359</b>

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Company's 2014 Annual Report to Stockholders contains management's discussion and analysis of financial condition and results of operations as of and for the year ended April 30, 2014. The following discussion and analysis describes material changes in the Company's financial condition since April 30, 2014. The analysis of results of operations compares the three and six months ended October 31, 2014 with the comparable periods of the prior year.

#### Results of Operations

Sales for the three months ended October 31, 2014 were \$30,258,000, an increase of 16% from sales of \$26,098,000 in the comparable period of the prior year. Sales from Domestic Operations were \$23,629,000, up from \$22,061,000 in the comparable period of the prior year. The increase in domestic sales reflects increased demand for the Company's products in certain geographic areas of the country. Sales from International Operations were \$6,629,000, up from \$4,037,000 in the comparable period of the prior year, as the Company continues to realize new sales opportunities in the international marketplace.

Sales for the six months ended October 31, 2014 were \$60,792,000, up 5% from sales of \$58,101,000 in the same period last year. Domestic Operations sales for the six-month period were \$47,877,000, down from sales of \$49,134,000 in the same period last year. International Operations sales were \$12,915,000, up 44% from sales of \$8,967,000 in the same period last year. The increase in International Operations sales resulted from the Company continuing to realize new sales opportunities in the international marketplace.

The order backlog was \$84.5 million at October 31, 2014, as compared to \$82.7 million at July 31, 2014 and \$69.5 million at October 31, 2013.

The gross profit margin for the three months ended October 31, 2014 was 19.2% of sales, as compared to 18.7% of sales in the comparable quarter of the prior year. The increase in the margin was the result of cost reduction activities, partially offset by the unfavorable impact of a change in product mix for international sales. The gross profit margin for the six months ended October 31, 2014 was 19.7% of sales, unchanged from the comparable period of the prior year.

Operating expenses for the three months ended October 31, 2014 were \$3,950,000, or 13.1% of sales, as compared to \$3,759,000, or 14.4% of sales, in the comparable period of the prior year. Operating expenses for the three months ended October 31, 2014 reflect an increase of \$118,000 in sales and marketing expenses, and an increase of \$180,000 in incentive compensation, partially offset by decreases in defined benefit pension expense of \$60,000 and bad debt expense of \$64,000. Operating expenses for the six months ended October 31, 2014 were \$8,298,000, or 13.6% of sales, as compared to \$7,903,000, or 13.6% of sales in the comparable period of the prior year. Operating expenses for the six months ended October 31, 2014 reflect an increase of \$466,000 in sales and marketing expenses, an increase of \$213,000 in operating expenses for the Company's International Operations, and an increase of \$61,000 in incentive compensation, partially offset by a decrease in corporate and administrative salaries of \$198,000, a \$107,000 reduction in defined benefit pension expense, and a \$67,000 reduction in bad debt expense.

Interest expense was \$102,000 and \$183,000 for the three and six months ended October 31, 2014, respectively, as compared to \$72,000 and \$160,000 for the comparable periods of the prior year. The increases for the current year periods resulted primarily from higher borrowing levels.

Income tax expense of \$667,000 was recorded for the three months ended October 31, 2014, as compared to income tax expense of \$406,000 recorded for the comparable period of the prior year. Income tax expense of \$1,252,000 was recorded for the six months ended October 31, 2014, as compared to income tax expense of \$1,213,000 recorded for

the comparable period of the prior year. The effective tax rate was 35.2% for each of the three-month periods ended October 31, 2014 and 2013. The effective tax rates were 33.5% and 33.9% for the six months ended October 31, 2014 and 2013, respectively. The differences between the effective tax rates in each of these periods resulted primarily from varying ratios of pretax earnings attributable to subsidiaries located in geographic locations with lower income tax rates. Also, the effective tax rates in each of the periods of the current year and prior year were reduced from statutory tax rates by the favorable impact of state and federal tax credits.

Noncontrolling interests related to the Company's subsidiary that is not 100% owned by the Company reduced net earnings by \$26,000 for the three months ended October 31, 2014, as compared to \$21,000 for the comparable period of the prior year. Net earnings were reduced by \$52,000 and \$51,000 for the six months ended October 31, 2014 and 2013, respectively. The changes in the amounts between each of these periods were directly attributable to changes in the amounts of net income reported for the Company's one subsidiary that is not 100% owned by the Company.

Net earnings of \$1,202,000, or \$0.45 per diluted share, were reported for the three months ended October 31, 2014, compared to net earnings of \$725,000, or \$0.28 per diluted share, in the prior year period. Net earnings of \$2,436,000, or \$0.92 per diluted share, were reported for the six months ended October 31, 2014, compared to net earnings of \$2,312,000, or \$0.89 per diluted share, for the same period last year.



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### Liquidity and Capital Resources

Historically, the Company's principal sources of liquidity have been funds generated from operations, supplemented as needed by short-term borrowings under the Company's revolving credit facility. Additionally, certain machinery and equipment are financed by non-cancellable operating leases or capital leases. The Company believes that these sources will be sufficient to support ongoing business requirements in the current fiscal year, including capital expenditures.

The Company had working capital of \$27,887,000 at October 31, 2014, compared to \$27,190,000 at April 30, 2014. The ratio of current assets to current liabilities was 2.6-to-1.0 at October 31, 2014, compared to 2.7-to-1.0 at April 30, 2014. At October 31, 2014, advances of \$699,000 were outstanding under the Company's bank revolving credit facility, as compared to advances of \$2,900,000 outstanding as of April 30, 2014. The Company had standby letters of credit outstanding of \$4,210,000 at October 31, 2014, compared to \$4,305,000 at April 30, 2014. Amounts available under the \$20 million revolving credit facility were \$15.1 million and \$12.8 million at October 31, 2014 and April 30, 2014, respectively. Total bank borrowings were \$5,102,000 at October 31, 2014, as compared to \$7,763,000 at April 30, 2014.

The Company's operations provided cash of \$6,762,000 during the six months ended October 31, 2014. Cash was primarily provided from earnings and an increase in accounts payable and other accrued expenses of \$3,931,000, which was partially offset by an increase in accounts receivable of \$605,000, and an increase in inventories of \$261,000. The large increase in accounts payable and accrued expenses was primarily attributable to the start-up of a large international project. The Company's operations provided cash of \$6,196,000 during the six months ended October 31, 2013, with cash primarily provided from earnings and a decrease in accounts receivable of \$5,363,000, partially offset by a decrease in accounts payable and accrued expenses of \$2,198,000.

During the six months ended October 31, 2014, net cash of \$4,127,000 was used in investing activities for capital expenditures of \$1,626,000 and an increase in restricted cash of \$2,501,000. The increase in restricted cash resulted from the Company's pledge of cash to support bank guarantees required for the start-up of a large international project. This compares to the net use of cash of \$1,100,000 for investing activities in the comparable period of the prior year for capital expenditures of \$1,188,000, offset by a decrease in restricted cash of \$88,000.

The Company's financing activities used cash of \$3,916,000 during the six months ended October 31, 2014 for the payment of \$888,000 for the second installment toward the purchase of the noncontrolling interest in a subsidiary, \$2,209,000 for repayment of short-term borrowings, cash dividends of \$603,000 paid to stockholders, cash dividends of \$38,000 paid to minority interest holders, and payments of \$210,000 on long-term debt. The Company's financing activities used cash of \$5,227,000 during the six months ended October 31, 2013 for payment of \$1,780,000 toward the purchase of the noncontrolling interest in a subsidiary, repayment of short-term borrowings of \$4,278,000, cash dividends of \$547,000 paid to stockholders, and cash dividends of \$38,000 paid to minority interest holders. This was partially offset by a net increase in long-term debt of \$1,357,000 in conjunction with the replacement of the Company's long-term loans with a new lender.

### Outlook

The Company's ability to predict future demand for its products continues to be limited given its role as subcontractor or supplier to dealers for subcontractors. Demand for the Company's products is also dependent upon the number of laboratory construction projects planned and/or current progress in projects already under construction. The Company's earnings are also impacted by fluctuations in prevailing pricing for projects in the laboratory construction marketplace and increased costs of raw materials, including stainless steel, wood, and epoxy resin, and whether the Company is able to increase product prices to customers in amounts that correspond to such increases without

materially and adversely affecting sales. Additionally, since prices are normally quoted on a firm basis in the industry, the Company bears the burden of possible increases in labor and material costs between the quotation of an order and delivery of a product. The Company is also unable to predict the strength of the global economic recovery and its short-term and long-term impact on the Company's operations and the markets in which it competes. Looking forward, the Company expects the second half of fiscal year 2015 to be profitable for the Company.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This report contains statements that the Company believes to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report, including statements regarding the Company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as anticipate, estimate, expect, project, intend, plan, predict, believe and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties and assumptions, including industry and economic conditions that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, competitive and general economic conditions, both domestically and internationally; changes in customer demands; dependence on customers' required delivery schedules; risks related to fluctuations in the Company's operating results from quarter to quarter; risks related to international operations, including foreign currency

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fluctuations; changes in the legal and regulatory environment; changes in raw materials and commodity costs; and acts of terrorism, war, governmental action, natural disasters and other Force Majeure events. Many important factors that could cause such a difference are described under the caption "Risk Factors" in Item 1A in the Company's 2014 Annual Report on Form 10-K. These forward-looking statements speak only as of the date of this document. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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**REVIEW BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

A review of the interim consolidated financial information included in this Quarterly Report on Form 10-Q for each of the three and six month periods ended October 31, 2014 and October 31, 2013 has been performed by Cherry Bekaert LLP, the Company's independent registered public accounting firm. Their report on the interim consolidated financial information follows.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have reviewed the accompanying consolidated balance sheet of Kewaunee Scientific Corporation and its subsidiaries (the Company) as of October 31, 2014, the related consolidated statements of operations, and comprehensive income for the three-month and six-month periods ended October 31, 2014 and 2013, the related consolidated statement of stockholders' equity for the six-month period ended October 31, 2014, and the related consolidated statements of cash flows for the six-month periods ended October 31, 2014 and 2013. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the interim consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of April 30, 2014, and the related consolidated statements of operations, comprehensive income and stockholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated July 17, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of April 30, 2014 is fairly stated in all material respects in relation to the consolidated financial statement from which it has been derived.

/s/ Cherry Bekaert LLP  
Charlotte, North Carolina  
December 12, 2014

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There are no material changes to the disclosures made on this matter in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2014.

**Item 4. Controls and Procedures**

(a) Evaluation of disclosure controls and procedures

An evaluation was performed under the supervision and the participation of the Company's management, including the Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of October 31, 2014. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that, as of October 31, 2014, the Company's disclosure controls and procedures were adequate and effective and designed to ensure that all material information required to be filed in this quarterly report is made known to them by others within the Company and its subsidiaries.

(b) Changes in internal controls

There was no significant change in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

**Item 6. Exhibits**

3.1	Bylaws (As amended as of August 27, 2014) <sup>(1)</sup>
10.1 *	Restated and Amended Change of Control Employment Agreement, dated August 27, 2014, between the Company and David M. Rausch. <sup>(1)</sup>
10.2 *	Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of D. Michael Parker. <sup>(1)</sup>
10.3 *	Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of Kurt P. Rindoks. <sup>(1)</sup>
10.4 *	Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of Keith D. Smith. <sup>(1)</sup>
10.5 *	Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of Elizabeth D. Phillips. <sup>(1)</sup>
10.6 *	Extension Agreement, dated August 27, 2014, with respect to the Change of Control Employment Agreement of Dana L. Dahlgren. <sup>(1)</sup>
10.7 *	First Amendment to the Re-Established Retirement Plan for Salaried Employees of Kewaunee Scientific Corporation <sup>(1)</sup>
10.8 *	First Amendment to the Re-Established Retirement Plan for Hourly Employees of Kewaunee Scientific Corporation <sup>(1)</sup>
10.9 *	Amendment No. One to the Kewaunee Scientific Corporation Pension Equalization Plan <sup>(1)</sup>
10.10 *	Amendment No. One to the Kewaunee Scientific Corporation 401 Plus Executive Deferred Compensation Plan <sup>(1)</sup>
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

\* The referenced exhibit is a management contract or compensatory plan or arrangement.

(1) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission file No. 0-5286) filed on September 2, 2014 and incorporated herein by reference.



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SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KEWAUNEE SCIENTIFIC CORPORATION  
(Registrant)

Date: December 12, 2014

By /s/ D. Michael Parker  
D. Michael Parker  
(As duly authorized officer and Senior Vice  
President, Finance and Chief Financial Officer)