

SIFCO INDUSTRIES INC

Form 10-Q/A

May 23, 2005

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q/A

AMENDMENT NO. 1

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

For the quarterly period ended March 31, 2005

or

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

For the transition period from _____ to _____

Commission file number 1-5978

SIFCO Industries, Inc.

(Exact name of registrant as specified in its charter)

Ohio

34-0553950

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

970 East 64th Street, Cleveland Ohio

44103

(Address of principal executive offices)

(Zip Code)

(216) 881-8600

(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 and 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 is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The number of the Registrant's Common Shares outstanding at April 30, 2005 was 5,188,891.

Explanatory Note:

This Amendment No. 1 includes revised Liquidity and Capital Resources reflecting new Exhibit 4.15, Amendment No 11. to Amended and Restated Credit Agreement dated May 19, 2005 between SIFCO Industries Inc. and National City Bank.

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

B. Liquidity and Capital Resources

Cash and cash equivalents decreased to \$2.1 million at March 31, 2005 from \$5.6 million at September 30, 2004. In October 2004, the American Jobs Creation Act of 2004 (Act) was enacted. The Act contains a one-time provision allowing earnings of controlled foreign companies to be repatriated, at a reduced tax rate, during the tax year that includes October 2004 or during the subsequent tax year. The Company received a dividend from its non-U.S. subsidiaries during the first six months of fiscal 2005 in the amount of \$13.4 million and the funds were principally used to reduce the Company's outstanding indebtedness.

The Company's operating activities consumed cash of \$3.7 million in the first six months of fiscal 2005, compared with \$1.5 million generated in the first six months of fiscal 2004. The \$3.7 million of cash used for operating activities in first six months of fiscal 2005 is primarily due to an operating loss of \$3.9 million and an increase in inventories of \$2.8 million, partially offset by a \$1.8 million decrease in accounts receivable and a \$0.9 million increase in accounts payable. The change in these components of working capital was due to factors resulting from normal business conditions of the Company, including (i) sales levels, (ii) collections from customers, (iii) the relative timing of payments to suppliers, and (iv) inventory levels required to support customer demand in general and, in particular, the significant extension of raw material lead times currently experienced by the ACM Group.

Capital expenditures were \$1.4 million in the first six months of fiscal 2005, compared with \$1.3 million in the first six months of fiscal 2004. Fiscal 2005 capital expenditures consist of \$0.5 million by the ACM Group, \$0.3 million by the Applied Surface Concepts Group and \$0.6 million by the Repair Group. Capital expenditures in the first six months of fiscal 2005 consisted primarily of equipment to expand and diversify both the ACM Group's manufacturing and machining capabilities and the Repair Group's repair capabilities. The Company anticipates that total fiscal 2005 capital expenditures will approximate \$3.0 million.

During the first quarter of fiscal 2005, the Company paid off the remaining \$2.7 million outstanding balance of its 15-year industrial development variable rate demand revenue bond, which was issued to expand the Repair Group's Tampa, Florida facility that was sold during the first quarter of fiscal 2005 and was included in assets held for sale at September 30, 2004.

During the first quarter of fiscal 2005, the Company paid off the remaining \$4.5 million outstanding balance of its term note.

At March 31, 2005, the Company has a \$6.0 million revolving credit agreement, subject to sufficiency of collateral, that expires on April 1, 2006 and bears interest at the bank's base rate plus 0.50%. The interest rate was 6.25% at March 31, 2005. A 0.375% commitment fee is incurred on the unused balance of the revolving credit agreement. At March 31, 2005, \$1.1 million was outstanding under the revolving credit agreement and the Company had \$4.7 million available under its \$6.0 million revolving credit agreement. The Company's revolving credit agreement is secured by substantially all of the Company's assets located in the U.S., a guarantee by its U.S. subsidiaries and a pledge of 65% of the Company's ownership interest in its non-U.S. subsidiaries.

Under its credit agreement, the Company is subject to certain customary covenants. These include, without limitation, covenants (as defined) that require maintenance of certain specified financial ratios, including a minimum tangible net worth level and a fixed charge coverage ratio. In February 2005, the Company entered into an agreement with its bank to amend the fixed charge coverage ratio as of December 31, 2004 and for future periods. In May 2005, the Company entered into an agreement with its bank to (i) waive the minimum tangible net worth level as of March 31, 2005 and

(ii) amend the minimum tangible net worth level for future periods. The Company was in compliance with all applicable covenants at March 31, 2005.

During the first quarter of fiscal 2005, the Company completed the sale of a building and land that was part of its Repair Group's Irish operations and was included in assets held for sale at September 30, 2004. The net proceeds from the sale of these assets were \$8.0 million and the assets that were sold had a net book value of approximately \$1.8 million.

The Company believes that cash flows from its operations together with existing cash reserves and the funds available under its revolving credit agreement will be sufficient to meet its working capital requirements through the end of fiscal year 2005. However, no assurances can be given as to the sufficiency of the Company's working capital to support the Company's operations. If the existing cash reserves, cash flow from operations and funds available under the revolving credit agreement are insufficient; if working capital requirements are greater than currently estimated; and/or if the Company is unable to satisfy the covenants set forth in its credit agreement, the Company may be required to adopt one or more alternatives, such as reducing or delaying capital expenditures, restructuring indebtedness, selling assets or operations, or issuing additional shares of capital stock in the Company. There can be no assurance that any of these actions could be accomplished, or if so,

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on terms favorable to the Company, or that they would enable the Company to continue to satisfy its working capital requirements.

Item 6. Exhibits

(a) Exhibits

The following exhibits are filed with this report or are incorporated hereby reference to a prior filing in accordance with Rule 12b-32 under the Securities and Exchange Act of 1934 (Asterisk denotes exhibits filed with this report.).

| Exhibit No. | Description |
|----------------|---|
| 3.1 | Third Amended Articles of Incorporation of SIFCO Industries, Inc., filed as Exhibit 3(a) of the Company's Form 10-Q dated March 31, 2002, and incorporated herein by reference |
| 3.2 | SIFCO Industries, Inc. Amended and Restated Code of Regulations dated January 29, 2002, filed as Exhibit 3(b) of the Company's Form 10-Q dated March 31, 2002, and incorporated herein by reference |
| 4.2 | Amended and Restated Credit Agreement Between SIFCO Industries, Inc. and National City Bank dated April 30, 2002, filed as Exhibit 4(b) of the Company's Form 10-Q dated March 31, 2002, and incorporated herein by reference |
| 4.5 | Consolidated Amendment No. 1 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated November 26, 2002 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.5 of the Company's Form 10-K dated September 30, 2002, and incorporated herein by reference |
| 4.6 | Consolidated Amendment No. 2 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated February 13, 2003 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.6 of the Company's Form 10-Q dated December 31, 2002, and incorporated herein by reference |
| 4.7 | Consolidated Amendment No. 3 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated May 13, 2003 between SIFCO Industries Inc. and National City Bank, filed as Exhibit 4.7 of the Company's Form 10-Q dated March 31, 2003, and incorporated herein by reference |
| 4.8 | Consolidated Amendment No. 4 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated July 28, 2003 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.8 of the Company's Form 10-Q dated June 30, 2003, and incorporated herein by reference |
| 4.9 | Consolidated Amendment No. 5 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated November 26, 2003 between SIFCO Industries, Inc. and National City Bank |
| 4.10 | |

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Amendment No. 6 to Amended and Restated Credit Agreement dated March 31, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.10 of the Company's Form 10-Q dated March 31, 2004, and incorporated herein by reference

- 4.11 Consolidated Amendment No. 7 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated May 14, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.11 of the Company's Form 10-Q dated March 31, 2004, and incorporated herein by reference
- 4.12 Consolidated Amendment No. 8 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note effective June 30, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.12 of the Company's Form 10-Q dated June 30, 2004, and incorporated herein by reference

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| Exhibit No. | Description |
|----------------|--|
| 4.13 | Consolidated Amendment No. 9 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note effective November 12, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.13 to the Company's Form 10-K dated December 17, 2004 and incorporated herein by reference |
| 4.14 | Amendment No. 10 to Amended and Restated Credit Agreement effective December 31, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.14 to the Company's Form 10-Q dated December 31, 2004 and incorporated herein by reference |
| *4.15 | Amendment No. 11 to Amended and Restated Credit Agreement dated May 19, 2005 between SIFCO Industries, Inc. and National City Bank |
| 9.1 | Voting Trust Extension Agreement dated January 14, 2002, filed as Exhibit 9.1 of the Company's Form 10-K dated September 30, 2002, and incorporated herein by reference |
| 9.2 | Voting Trust Agreement dated January 15, 1997, filed as Exhibit 9.2 of the Company's Form 10-K dated September 30, 2002, and incorporated herein by reference |
| 10.1 | 1989 Key Employee Stock Option Plan, filed as Exhibit B of the Company's Form S-8 dated January 9, 1990, and incorporated herein by reference |
| 10.2 | Deferred Compensation Program for Directors and Executive Officers (as amended and restated April 26, 1984), filed as Exhibit 10(b) of the Company's Form 10-Q dated March 31, 2002, and incorporated herein by reference |
| 10.3 | SIFCO Industries, Inc. 1998 Long-term Incentive Plan, filed as Exhibit 10.3 of the Company's form 10-Q dated June 30, 2004, and incorporated herein by reference |
| 10.4 | SIFCO Industries, Inc. 1995 Stock Option Plan, filed as Exhibit 10(d) of the Company's Form 10-Q dated March 31, 2002, and incorporated herein by reference |
| 10.5 | Change in Control Severance Agreement between the Company and Frank Cappello, dated September 28, 2000, filed as Exhibit 10(g) of the Company's Form 10-Q dated December 31, 2000, and incorporated herein by reference |
| 10.6 | Change in Control Severance Agreement between the Company and Hudson Smith, dated September 28, 2000, filed as Exhibit 10 (h) of the Company's Form 10-Q dated December 31, 2000, and incorporated herein by reference |
| 10.7 | Change in Control Severance Agreement between the Company and Remigijus Belzinskas, dated September 28, 2000, filed as Exhibit 10 (i) of the Company's Form 10-Q dated December 31, 2000, and incorporated herein by reference |
| 10.8 | Change in Control Agreement between the Company and Frank Cappello, dated November 9, 2000, filed as Exhibit 10 (j) of the Company's Form 10-Q dated December 31, 2000, and incorporated herein by reference |

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- 10.9 Change in Control Severance Agreement between the Company and Timothy V. Crean, dated July 30, 2002, filed as Exhibit 10.9 of the Company's Form 10-K dated September 30, 2002, and incorporated herein by reference
- 10.10 Change in Control Severance Agreement between the Company and Jeffrey P. Gotschall, dated July 30, 2002, filed as Exhibit 10.10 of the Company's Form 10-K dated September 30, 2002, and incorporated herein by reference
- 10.11 Form of Restricted Stock Agreement, filed as Exhibit 10.11 of the Company's Form 10-K dated September 30, 2002, and incorporated herein by reference

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Exhibit

| No. | Description |
|-------|--|
| 10.12 | Form of Tender, Condition of Tender, Condition of Sale and General Conditions of Sale dated June 30, 2004, filed as Exhibit 10.12 of the Company's Form 8-K dated October 14, 2004, and incorporated herein by reference |
| 10.13 | Separation Agreement and Release between Hudson D. Smith and SIFCO Industries, Inc., effective January 31, 2005, filed as Exhibit 10.13 of the Company's Form 8-K dated February 8, 2005, and incorporated herein by reference |
| *31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) / 15d-14(a) |
| *31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) / 15d-14(a) |
| *32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 |
| *32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 |

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SIGNATURES

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

SIFCO Industries, Inc.
(Registrant)

Date: May 23, 2005

/s/ Jeffrey P. Gotschall

Jeffrey P. Gotschall
Chairman of the Board and
Chief Executive Officer

Date: May 23, 2005

/s/ Frank A. Cappello

Frank A. Cappello
Vice President-Finance and
Chief Financial Officer
(Principal Financial Officer)