

TRANSACT TECHNOLOGIES INC
Form 10-Q
August 12, 2011

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: June 30, 2011
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: 0-21121

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

06-1456680
(I.R.S. Employer Identification No.)

One Hamden Center, 2319 Whitney Avenue, Suite 3B,
Hamden, CT
(Address of principal executive offices)

06518
(Zip Code)

Registrant's telephone number, including area code 203-859-6800

(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

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 (Sec.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,

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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. (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 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 July 29, 2011
Common stock, \$.01 par value	9,446,260

TRANSACT TECHNOLOGIES INCORPORATED

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

(In thousands, except share data)	June 30, 2011	December 31, 2010
Assets:		
Current assets:		
Cash and cash equivalents	\$10,948	\$11,285
Receivables, net	10,414	10,864
Inventories	12,704	12,795
Deferred tax assets	1,705	1,705
Other current assets	493	403
Total current assets	36,264	37,052
Fixed assets, net	3,604	4,071
Goodwill	1,469	1,469
Deferred tax assets	784	789
Intangible and other assets, net of accumulated amortization of \$517 and \$475, respectively	774	240
	6,631	6,569
Total assets	\$42,895	\$43,621
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	\$5,184	\$8,342
Accrued liabilities	2,466	2,865
Deferred revenue	272	320
Total current liabilities	7,922	11,527
Deferred revenue, net of current portion	271	295
Deferred rent, net of current portion	375	393
Other liabilities	338	272
	984	960
Total liabilities	8,906	12,487
Shareholders' equity:		
Common stock, \$0.01 par value, 20,000,000 authorized at June 30, 2011 and December 31, 2010; 10,770,098 and 10,612,881 shares issued, respectively; 9,425,760 and 9,426,443 shares outstanding at June 30, 2011 and December 31, 2010, respectively	108	106
Additional paid-in capital	24,296	22,875
Retained earnings	20,204	16,937
Accumulated other comprehensive loss, net of tax	(61)	(69)
	(10,558)	(8,715)

Treasury stock, 1,344,338 and 1,186,438 shares at June 30, 2011 and December 31, 2010, respectively		
Total shareholders' equity	33,989	31,134
Total liabilities and shareholders' equity	\$42,895	\$43,621

See notes to condensed consolidated financial statements.

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TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(In thousands, except share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net sales	\$17,519	\$16,443	\$38,213	\$30,651
Cost of sales	10,856	10,288	24,618	19,307
Gross profit	6,663	6,155	13,595	11,344
Operating expenses:				
Engineering, design and product development	815	799	1,584	1,544
Selling and marketing	1,653	1,618	3,172	3,201
General and administrative	1,801	1,940	3,657	3,819
Business consolidation and restructuring (Note 5)	184	-	184	-
	4,453	4,357	8,597	8,564
Operating income	2,210	1,798	4,998	2,780
Interest and other income:				
Interest, net	7	6	11	8
Other, net	2	2	17	8
	9	8	28	16
Income before income taxes	2,219	1,806	5,026	2,796
Income tax provision	777	661	1,759	1,022
Net income	\$1,442	\$1,145	\$3,267	\$1,774
Net income per common share:				
Basic	\$0.15	\$0.12	\$0.35	\$0.19
Diluted	\$0.15	\$0.12	\$0.34	\$0.19
Shares used in per-share calculation:				
Basic	9,388	9,394	9,417	9,371
Diluted	9,667	9,562	9,676	9,543

See notes to condensed consolidated financial statements.

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TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(In thousands)	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$3,267	\$1,774
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Share-based compensation expense	299	300
Incremental tax benefits from stock options exercised	(326)	(14)
Depreciation and amortization	756	791
Loss (gain) on disposal of fixed assets	24	(2)
Foreign currency transaction gain	(18)	(6)
Changes in operating assets and liabilities:		
Receivables	464	(2,535)
Inventories	117	(5,635)
Refundable income taxes	-	270
Other current assets	(102)	119
Other assets	(4)	4
Accounts payable	(3,158)	2,914
Accrued liabilities and other liabilities	44	954
Net cash provided by (used in) operating activities	1,363	(1,066)
Cash flows from investing activities:		
Purchases of fixed assets	(262)	(550)
Additions to capitalized software	(569)	-
Proceeds from sale of assets	1	10
Net cash used in investing activities	(830)	(540)
Cash flows from financing activities:		
Proceeds from stock option exercises	657	206
Purchases of common stock for treasury	(1,843)	-
Incremental tax benefits from stock options exercised	326	14
Payment of deferred financing costs	(6)	-
Net cash (used in) provided by financing activities	(866)	220
Effect of exchange rate changes on cash	(4)	(5)
Decrease in cash and cash equivalents	(337)	(1,391)
Cash and cash equivalents, beginning of period	11,285	10,017
Cash and cash equivalents, end of period	\$10,948	\$8,626