

CHROMCRAFT REVINGTON INC

Form 10-Q

November 13, 2007

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**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 quarterly period ended September 29, 2007

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 1-13970

CHROMCRAFT REVINGTON, INC.

(Exact name of registrant as specified in its charter)

Delaware

35-1848094

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

1330 Win Hentschel Blvd., Ste. 250, West Lafayette, IN 47906

(Address, including zip code, of registrant's principal executive offices)

(765) 807-2640

(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 No

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.

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of shares outstanding for each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, \$.01 par value 6,173,476 shares as of November 2, 2007

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PART I.

Item 1. Financial Statements

Condensed Consolidated Statements of Operations (unaudited)

Chromcraft Revington, Inc.

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	Sept. 29, 2007	Sept. 30, 2006	Sept. 29, 2007	Sept. 30, 2006
Sales	\$ 28,412	\$ 35,348	\$ 95,028	\$ 121,589
Cost of sales	24,661	34,798	83,498	103,912
Gross margin	3,751	550	11,530	17,677
Selling, general and administrative expenses	7,128	6,885	22,160	20,933
Operating loss	(3,377)	(6,335)	(10,630)	(3,256)
Interest income (expense), net	10	(63)	50	(193)
Loss before income tax benefit	(3,367)	(6,398)	(10,580)	(3,449)
Income tax benefit	1,286	1,941	4,020	797
Net loss	\$ (2,081)	\$ (4,457)	\$ (6,560)	\$ (2,652)
Loss per share of common stock				
Basic	\$ (.46)	\$ (1.01)	\$ (1.46)	\$ (.60)
Diluted	\$ (.46)	\$ (1.01)	\$ (1.46)	\$ (.60)
Shares used in computing loss per share				
Basic	4,510	4,423	4,493	4,406
Diluted	4,510	4,423	4,493	4,406

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Balance Sheets (unaudited)
Chromcraft Revington, Inc.
(In thousands)

	Sept. 29, 2007	Sept. 30, 2006	Dec. 31, 2006
Assets			
Cash and cash equivalents	\$ 7,747	\$ 2,384	\$ 8,418
Accounts receivable	15,371	18,949	19,072
Refundable income taxes	4,323		
Inventories	27,022	34,700	28,667
Assets held for sale	686		5,068
Deferred income taxes and prepaid expenses	2,787	2,840	3,104
Current assets	57,936	58,873	64,329
Property, plant and equipment, net	17,477	26,115	19,212
Deferred income taxes and other assets	2,685	1,672	2,277
Total assets	\$ 78,098	\$ 86,660	\$ 85,818
Liabilities and Stockholders' Equity			
Accounts payable	\$ 4,545	\$ 4,554	\$ 5,144
Accrued liabilities	6,774	8,058	7,534
Current liabilities	11,319	12,612	12,678
Deferred compensation	1,297	2,010	1,918
Other long-term liabilities	998	1,037	804
Total liabilities	13,614	15,659	15,400
Stockholders' equity	64,484	71,001	70,418
Total liabilities and stockholders' equity	\$ 78,098	\$ 86,660	\$ 85,818

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows (unaudited)
Chromcraft Revington, Inc.
(In thousands)

	Nine Months Ended	
	Sept. 29, 2007	Sept. 30, 2006
Operating Activities		
Net loss	\$ (6,560)	\$ (2,652)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization expense	1,407	2,502
Deferred income taxes	451	(1,131)
Non-cash asset impairment charges	1,100	2,867
Non-cash ESOP compensation expense	425	620
Non-cash stock compensation expense	237	371
Non-cash inventory write-downs	3,113	3,378
Provision for doubtful accounts	245	250
(Gain) loss on disposal of assets	(341)	19
Changes in operating assets and liabilities		
Accounts receivable	3,456	(464)
Refundable income taxes	(4,323)	
Inventories	(1,468)	(1,069)
Prepaid expenses	(7)	(484)
Accounts payable	(599)	(894)
Accrued liabilities	(775)	730
Deferred compensation	(621)	(477)
Other long-term liabilities and assets	(326)	47
Cash provided by (used in) operating activities	(4,586)	3,613
Investing Activities		
Capital expenditures	(538)	(1,239)
Proceeds on disposal of assets	4,489	10
Cash provided by (used in) investing activities	3,951	(1,229)
Financing Activities		
Purchase of common stock by ESOP trust	(36)	
Cash used in financing activities	(36)	
Change in cash and cash equivalents	(671)	2,384

Cash and cash equivalents at beginning of the period	8,418		
Cash and cash equivalents at end of the period	\$ 7,747	\$	2,384

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statement of Stockholders Equity (unaudited)
 For the Nine Months Ended September 29, 2007
 Chromcraft Revington, Inc.
 (In thousands, except share data)

	Common Stock		Capital in Excess of Par Value	Unearned ESOP Shares	Retained Earnings	Treasury Stock		Total Stockholders Equity
	Shares	Amount				Shares	Amount	
Balance at January 1, 2007	7,944,163	\$ 80	\$ 18,075	\$ (16,708)	\$ 89,971	(1,776,287)	\$ (21,000)	\$ 70,418
Net loss					(6,560)			(6,560)
ESOP compensation expense			(118)	543				425
Purchase of common stock by ESOP Trust				(36)				(36)
Issuance of restricted stock awards	13,100							
Cancellation of restricted stock award	(7,500)							
Amortization of unearned compensation of restricted stock awards			216					216
Stock option compensation expense			21					21
Balance at September 29, 2007	7,949,763	\$ 80	\$ 18,194	\$ (16,201)	\$ 83,411	(1,776,287)	\$ (21,000)	\$ 64,484

See accompanying notes to condensed consolidated financial statements.

Table of ContentsNotes to Condensed Consolidated Financial Statements (unaudited)
Chromcraft Revington, Inc.**Note 1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements include the accounts of Chromcraft Revington, Inc. and its wholly-owned subsidiaries (together, the Company) and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 29, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Chromcraft Revington's annual report on Form 10-K for the year ended December 31, 2006.

Note 2. Inventories

Inventories consisted of the following:

	<i>(In thousands)</i>		
	Sept. 29, 2007	Sept. 30, 2006	Dec. 31, 2006
Raw materials	\$ 8,227	\$ 11,249	\$ 10,876
Work-in-process	3,314	4,725	3,488
Finished goods	19,109	22,033	17,726
	30,650	38,007	32,090
LIFO reserve	(3,628)	(3,307)	(3,423)
	\$ 27,022	\$ 34,700	\$ 28,667

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In 2006, the board of directors of the Company approved the restructuring of certain of the Company's operations. The restructuring program includes the shut down, relocation, consolidation, and outsourcing of certain furniture manufacturing and distribution operations, and is expected to be completed during 2007. The purposes of the restructuring program are to reduce fixed costs, to improve the utilization of a global supply chain, and to increase asset utilization.

Restructuring charges recorded for the three and nine months ended September 29, 2007 and September 30, 2006 were as follows:

	<i>(In thousands)</i>			
	Three Months Ended		Nine Months Ended	
	Sept. 29, 2007	Sept. 30, 2006	Sept. 29, 2007	Sept. 30, 2006
Restructuring charges:				
Costs to shut down, vacate and prepare for sale	\$ 14	\$ 36	\$ 343	\$ 36
One-time termination benefits		122	78	122
Inventory write-downs		2,748		2,748
Asset impairment charges	14 (67)	2,906 2,867	421 978	2,906 2,867
	\$ (53)	\$ 5,773	\$ 1,399	\$ 5,773
Statements of Operations classification:				
Gross margin	\$ (66)	\$ 5,633	\$ 1,171	\$ 5,633
Selling general and administrative expenses	13	140	228	140
	\$ (53)	\$ 5,773	\$ 1,399	\$ 5,773

The Company expects to incur total restructuring costs of \$1,378,000 for one-time termination benefits and costs to shut down, vacate and prepare the facilities for sale as follows:

	<i>(In thousands)</i>		
	Cumulative Costs Incurred to Date Sept. 29, 2007	Remaining Three Months 2007	Total
Costs to shut down, vacate and prepare for sale	\$ 822	\$ 15	\$ 837
One-time termination benefits	541		541
	\$ 1,363	\$ 15	\$ 1,378

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Charges to expense, cash payments or asset write-downs for the nine months ended September 29, 2007 and the restructuring liabilities at September 29, 2007 and December 31, 2006 were as follows:

	<i>(In thousands)</i>				
	Nine Months Ended September 29, 2007				
	Dec. 31, 2006	Charges to Expense	Cash Payments	Asset Impairments, Net	Sept. 29, 2007
Costs to shut down, vacate and prepare for sale	\$ 29	\$ 343	\$ (372)	\$	\$
One time termination benefits	260	78	(338)		
Asset impairment charges		978		(978)	
	\$ 289	\$ 1,399	\$ (710)	\$ (978)	\$

For the nine months ended September 29, 2007, the Company recorded a pre-tax gain of \$341,000 primarily due to the disposition of assets held for sale as part of the 2006 restructuring program.

Note 4. Assets Held for Sale

Assets held for sale consisted of the following:

	<i>(In thousands)</i>		
	Sept. 29, 2007	Sept. 30, 2006	Dec. 31, 2006
Land and buildings	\$ 686	\$	\$