

CHAMPION INDUSTRIES INC
Form 10-Q
September 10, 2010
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 July 31, 2010

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 No. 0-21084

Champion Industries, Inc.
(Exact name of Registrant as specified in its charter)

West Virginia
(State or other jurisdiction of
incorporation or organization)

55-0717455
(I.R.S. Employer
Identification No.)

2450-90 1st Avenue
P.O. Box 2968
Huntington, WV 25728
(Address of principal executive offices)
(Zip Code)

(304) 528-2700
(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 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 .

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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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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 issuers classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2010
Common stock, \$1.00 par value per share	9,987,913 shares

Champion Industries, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Champion Industries, Inc. and Subsidiaries

Consolidated Balance Sheets

ASSETS	July 31, 2010 (Unaudited)	October 31, 2009 (Audited)
Current assets:		
Cash and cash equivalents	\$	\$ 1,159,282
Accounts receivable, net of allowance of \$1,293,000 and \$1,353,000	17,482,262	18,424,310
Inventories	9,991,977	11,161,977
Income tax refund	178,263	1,911,400
Other current assets	926,906	925,120
Deferred income tax assets	1,555,366	1,000,847
Total current assets	30,134,774	34,582,936
Property and equipment, at cost:		
Land	2,016,148	2,016,148
Buildings and improvements	11,840,452	11,806,238
Machinery and equipment	56,967,326	57,481,742
Furniture and fixtures	4,145,100	4,129,537
Vehicles & other	3,116,338	3,145,772
	78,085,364	78,579,437
Less accumulated depreciation	(55,095,513)	(53,170,108)
	22,989,851	25,409,329
Goodwill	15,332,283	15,332,283
Deferred financing costs	1,372,704	1,199,199
Other intangibles, net of accumulated amortization	5,307,891	5,645,078
Trademark & masthead	10,001,812	10,001,812
Deferred tax asset, net of current portion	8,438,539	8,799,518
Other assets	37,854	51,738
	40,491,083	41,029,628
Total assets	\$ 93,615,708	\$ 101,021,893

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Balance Sheets (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	July 31, 2010 (Unaudited)	October 31, 2009 (Audited)
Current liabilities:		
Notes Payable, line of credit	\$ -	\$ 8,725,496
Negative book cash balances	2,058,264	-
Accounts payable	5,437,496	4,637,199
Accrued payroll and commissions	1,937,666	2,392,971
Taxes accrued and withheld	1,288,634	1,391,718
Accrued expenses	1,680,314	2,027,266
Other current liabilities	223,229	962,893
Current portion of long-term debt:		
Notes payable	5,407,864	57,024,424
Total current liabilities	18,033,467	77,161,967
Long-term debt, net of current portion:		
Line of credit	9,745,496	-
Notes payable, term	43,073,077	918,436
Other liabilities	6,000	7,350
Total liabilities	70,858,040	78,087,753
Shareholders' equity:		
Common stock, \$1 par value, 20,000,000 shares authorized; 9,987,913 shares issued and outstanding	9,987,913	9,987,913
Additional paid-in capital	22,768,610	22,768,610
Retained deficit	(10,272,206)	(9,822,383)
Other comprehensive income	273,351	-
Total shareholders' equity	22,757,668	22,934,140
Total liabilities and shareholders' equity	\$ 93,615,708	\$ 101,021,893

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	(Restated)		(Restated)	
	2010	2009	2010	2009
Revenues:				
Printing	\$ 19,660,226	\$ 21,430,743	\$ 61,126,093	\$ 67,743,875
Office products and office furniture	8,643,039	9,025,837	25,257,332	27,369,084
Newspaper	3,585,861	3,899,621	11,632,293	12,273,927
Total revenues	31,889,126	34,356,201	98,015,718	107,386,886
Cost of sales and newspaper operating costs:				
Printing	14,540,953	16,351,470	44,752,169	51,470,177
Office products and office furniture	6,260,691	6,256,070	18,009,192	19,377,572
Newspaper cost of sales and operating costs	2,058,988	2,082,670	6,210,296	6,655,320
Total cost of sales and newspaper operating costs	22,860,632	24,690,210	68,971,657	77,503,069
Gross profit	9,028,494	9,665,991	29,044,061	29,883,817
Selling, general and administrative expenses				
	7,317,348	8,564,413	24,366,779	27,155,200
Restructuring charges	1,398,061	193,735	1,537,145	193,735
Income from operations	313,085	907,843	3,140,137	2,534,882
Other income benefit (expenses):				
Interest income	-	-	-	2,771
Interest expense	(1,232,003)	(1,449,210)	(4,164,454)	(3,718,527)
Other	10,805	14,081	322,471	48,847
	(1,221,198)	(1,435,129)	(3,841,983)	(3,666,909)
(Loss) before income taxes	(908,113)	(527,286)	(701,846)	(1,132,027)
Income tax benefit	337,515	220,294	252,023	486,082
Net loss	\$ (570,598)	\$ (306,992)	\$ (449,823)	\$ (645,945)
Loss per share				
Basic	\$ (0.06)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Diluted	\$ (0.06)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Weighted average shares outstanding:				
Basic	9,988,000	9,988,000	9,988,000	9,988,000
Diluted	9,988,000	9,988,000	9,988,000	9,988,000
Dividends per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.06

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
(Unaudited)

	Common Stock		Additional	Retained	Other	
	Shares	Amount	Paid-In Capital	Deficit	Comprehensive Income	Total
Balance, October 31, 2009	9,987,913	\$ 9,987,913	\$ 22,768,610	\$ (9,822,383)	\$ -	\$ 22,934,140
Comprehensive loss:						
Net loss for 2010	-	-	-	(449,823)	-	(449,823)
Other comprehensive income (net of tax)	-	-	-	-	273,351	273,351
Total comprehensive loss	-	-	-	(449,823)	273,351	(176,472)
Balance, July 31, 2010	9,987,913	\$ 9,987,913	\$ 22,768,610	\$ (10,272,206)	\$ 273,351	\$ 22,757,668

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended July 31,	
	2010	(Restated) 2009
Cash flows from operating activities:		
Net loss	\$ (449,823)	\$ (645,946)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	3,248,043	3,931,633
Gain on sale of assets	15,796	(14,943)
Deferred income taxes	(375,774)	1,230,416
Deferred financing costs	267,081	232,103
Bad debt expense	309,600	619,966
Gain on hedging agreements	(284,079)	-
Restructuring charges	1,708,674	193,735
Changes in assets and liabilities:		
Accounts receivable	632,448	6,381,758
Inventories	1,170,000	1,417,108
Other current assets	(1,786)	(328,839)
Accounts payable	(908,376)	(2,042,492)
Accrued payroll and commissions	(455,305)	(782,243)
Taxes accrued and withheld	(103,084)	539,486
Income taxes	1,733,137	(1,771,190)
Accrued expenses	(346,953)	195,549
Other liabilities		