

CECO ENVIRONMENTAL CORP
Form 10-Q/A
April 15, 2005
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q/A

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004

Commission File No. 0-7099

CECO ENVIRONMENTAL CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-2566064
(I.R.S. Employer
Identification No.)

3120 Forrer Street, Cincinnati, Ohio 45209

(Address of principal executive offices) (Zip Code)

513-458-2600

(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 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 Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of latest practical date.

Class: Common, par value \$.01 per share outstanding at November 12, 2004 - 9,991,678

Table of Contents

Explanatory Note

This Form 10-Q/A amends our Quarterly Report on Form 10-Q, filed on November 14, 2004 (the Original Form 10-Q) to reflect the restatement of our consolidated financial statements for the periods ended September 30, 2004 and 2003.

On February 8, 2005, the Company filed a Form 8-K with the Securities and Exchange Commission disclosing that the Company's management determined that a spreadsheet error existed affecting the manner in which revenue was calculated and subsequently recognized on small projects. While revenue recognized under the percentage of completion calculation on individual large projects was accurate, due to this spreadsheet error, the accumulation of revenue for small projects was incorrect. This error occurred from 2000 to 2003 and during the three quarters of 2004 and therefore, these periods have been restated to reflect the correction of this error.

This restatement affected the following previously reported amounts: costs and estimated earnings in excess of billings on uncompleted contracts, deferred income tax liability, and retained earnings in our consolidated balance sheets, and net sales, income tax (benefit) provision, and net loss in our consolidated statements of operations.

In addition, the Company detected an error in the classification of amortization of deferred financing costs as depreciation and amortization expense rather than interest expense. This error is also being corrected in connection with this filing.

Except as stated above, this Report speaks only as of the date of the Original Form 10-Q. Except as specified above, this filing does not reflect any events occurring after November 14, 2004.

Table of Contents

CECO ENVIRONMENTAL CORP.

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

SEPTEMBER 30, 2004

INDEX

Part I - Financial Information:

Item 1. <u>Condensed consolidated balance sheets as of September 30, 2004 and December 31, 2003 (restated)</u>	2
<u>Condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2004 and 2003 (restated)</u>	3
<u>Condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2004 and 2003 (restated)</u>	4
<u>Notes to condensed consolidated financial statements</u>	5
Item 2. <u>Management's discussion and analysis of financial condition and results of operations</u>	11
Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk</u>	17
Item 4. <u>Controls and Procedures</u>	18

Part II - Other Information

Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	19
Item 5. <u>Other Information</u>	19
Item 6. <u>Exhibits and reports on Form 8-K</u>	20

<u>Signature</u>	21
------------------	----

Certifications

Table of ContentsCECO ENVIRONMENTAL CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except per share data

	SEPTEMBER 30, 2004	DECEMBER 31, 2003
	As restated	see note 9
(unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 204	\$ 136
Accounts receivable, net	13,027	11,398
Costs and estimated earnings in excess of billings on uncompleted contracts	4,725	3,340
Inventories	2,025	1,575
Prepaid expenses and other current assets	2,676	1,983
Total current assets	22,657	18,432
Property and equipment, net	9,467	9,987
Goodwill	9,527	9,527
Intangible assets finite life, net	756	816
Intangible assets indefinite life	1,395	1,395
Deferred charges and other assets	706	997
	\$ 44,508	\$ 41,154
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of debt	\$ 4,712	\$ 2,094
Accounts payable and accrued expenses	13,449	11,309
Billings in excess of costs and estimated earnings on uncompleted contracts	2,554	1,320
Total current liabilities	20,715	14,723
Other liabilities	2,192	2,591
Debt, less current portion	5,696	7,863
Deferred income tax liability	2,542	2,422
Subordinated notes (including, related party - \$5,287 and \$5,093, respectively)	5,741	5,525
Total liabilities	36,886	33,124
Shareholders equity:		
Common stock, \$0.01 par value; 100,000,000 shares authorized, 10,792,898 shares issued at September 30, 2004 and 10,786,194 shares issued at December 31, 2003	108	108
Capital in excess of par value	16,339	16,329

Edgar Filing: CECO ENVIRONMENTAL CORP - Form 10-Q/A

Accumulated deficit	(6,127)	(5,709)
Accumulated other comprehensive loss	(894)	(894)
	<u>9,426</u>	<u>9,834</u>
Less treasury stock, at cost, 801,220 shares in 2004 and 2003	(1,804)	(1,804)
	<u>7,622</u>	<u>8,030</u>
Total shareholders' equity	\$ 44,508	\$ 41,154

The notes to condensed consolidated financial statements

are an integral part of the above statements.

Table of ContentsCECO ENVIRONMENTAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

Dollars in thousands, except per share data

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
		As restated	see note 9	
Net sales	\$ 18,566	\$ 17,054	\$ 47,711	\$ 49,291
Costs and expenses:				
Cost of sales, exclusive of items shown separately below	15,035	13,543	38,248	40,267
Selling and administration	2,473	2,443	7,833	7,531
Depreciation and amortization	322	308	970	939
	<u>17,830</u>	<u>16,294</u>	<u>47,051</u>	<u>48,737</u>
Income from operations	736	760	660	554
Other income	19	17	55	239
Interest expense (including related party interest of \$219 and \$199, and \$654 and \$597, respectively)	(669)	(638)	(1,908)	(1,994)
Income (loss) from operations before income taxes	86	139	(1,193)	(1,201)
Income tax (benefit) provision	(199)	49	(775)	(426)
Net income (loss)	<u>\$ 285</u>	<u>\$ 90</u>	<u>\$ (418)</u>	<u>\$ (775)</u>
Per share data:				
Basic net income (loss)	<u>\$.03</u>	<u>\$.01</u>	<u>\$ (.04)</u>	<u>\$ (.08)</u>
Diluted net income (loss)	<u>\$.03</u>	<u>\$.01</u>	<u>\$ (.04)</u>	<u>\$ (.08)</u>
Weighted average number of common shares outstanding:				
Basic	<u>9,991,678</u>	<u>9,978,835</u>	<u>9,988,840</u>	<u>9,808,574</u>
Diluted	<u>10,015,537</u>	<u>10,021,741</u>	<u>9,988,840</u>	<u>9,808,574</u>

The notes to condensed consolidated financial statements are

an integral part of the above statements.

Table of ContentsCECO ENVIRONMENTAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Dollars in thousands

	NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
	As restated	see note 9
Cash flows from operating activities:		
Net loss	\$ (418)	\$ (775)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	970	939
Other non cash gains included in net loss		239
Changes in operating assets and liabilities:		
Accounts receivable	(1,629)	(1,606)
Inventories	(450)	226
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,385)	1,385
Prepaid expenses and other current assets	(788)	(222)
Accounts payable and accrued expenses	2,260	(1,239)
Billings in excess of costs and estimated earnings on uncompleted contracts	1,234	1,613
Other	94	(186)
Net cash (used in) provided by operating activities	(112)	374
Cash flows from investing activities:		
Acquisitions of equipment	(281)	(88)
Proceeds from sale of property		1,568
Net cash (used in) provided by investing activities	(281)	1,480
Cash flows from financing activities:		
Proceeds from employee stock purchase plan	10	11
Proceeds from subordinated debt		1,200
Net borrowings (repayments) on revolving credit line and (repayments) of debt	451	(3,178)
Net cash provided by (used in) financing activities	461	(1,967)
Net increase (decrease) in cash	68	(113)
Cash and cash equivalents at beginning of the period	136	194
Cash and cash equivalents at end of the period	\$ 204	\$ 81

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid (refunded) during the period for:		
Interest	\$ 906	\$ 1,124
	<u> </u>	<u> </u>
Income taxes	\$ (13)	\$ (156)
	<u> </u>	<u> </u>

The notes to condensed consolidated financial statements are
an integral part of the above statements.

Table of Contents

CECO ENVIRONMENTAL CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS