

WMS INDUSTRIES INC /DE/
Form 10-Q
February 07, 2013
Table of Contents

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 DECEMBER 31, 2012

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: 1-8300

WMS INDUSTRIES INC.

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(Exact name of registrant as specified in its Charter)

Delaware
(State or other Jurisdiction of
incorporation or organization)

36-2814522
(I.R.S. Employer
Identification No.)

800 South Northpoint Blvd.

Waukegan, IL 60085

(Address of Principal Executive Offices)

(847) 785-3000

(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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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, 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: 54,626,031 shares of common stock, \$0.50 par value, were outstanding at February 5, 2013.

Table of Contents

WMS INDUSTRIES INC.

INDEX

	Page
Part I. <u>Financial Information</u>	3
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Statements of Income (unaudited) for the Three and Six Months Ended December 31, 2012 and 2011</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (unaudited) for the Three and Six Months Ended December 31, 2012 and 2011</u>	4
<u>Condensed Consolidated Balance Sheets as of December 31, 2012 (unaudited) and June 30, 2012</u>	5
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the Six Months Ended December 31, 2012 and 2011</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
Item 4. <u>Controls and Procedures</u>	44
Part II. <u>Other Information</u>	45
Item 1. <u>Legal Proceedings</u>	45
Item 1A. <u>Risk Factors</u>	45
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
Item 3. <u>Defaults Upon Senior Securities</u>	46
Item 4. <u>Mine Safety Disclosures</u>	46
Item 5. <u>Other Information</u>	46
Item 6. <u>Exhibits</u>	47
<u>Signatures</u>	48

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WMS INDUSTRIES INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

For the Three and Six Months Ended December 31, 2012 and 2011

(in millions of U.S. dollars and millions of shares, except per share amounts)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
REVENUES:				
Product sales	\$ 84.8	\$ 97.5	\$ 172.8	\$ 184.6
Gaming operations	72.7	64.7	143.8	133.2
Total revenues	157.5	162.2	316.6	317.8
COSTS AND EXPENSES:				
Cost of product sales(1)	43.2	48.7	84.5	91.5
Cost of gaming operations(1)	13.7	14.4	28.9	28.7
Research and development	26.7	23.7	54.3	48.1
Selling and administrative	37.9	33.2	72.3	71.5
Depreciation and amortization(1)	29.0	21.2	57.0	43.8
Impairment and restructuring charges	0.0	0.0	0.0	9.7
Total costs and expenses	150.5	141.2	297.0	293.3
OPERATING INCOME	7.0	21.0	19.6	24.5
Interest expense	(1.0)	(0.4)	(1.7)	(0.8)
Interest income and other income and expense, net	3.9	4.2	6.3	6.9
Income before income taxes	9.9	24.8	24.2	30.6
Provision for income taxes	5.6	8.7	10.6	10.7
NET INCOME	\$ 4.3	\$ 16.1	\$ 13.6	\$ 19.9
Earnings per share:				
Basic	\$ 0.08	\$ 0.29	\$ 0.25	\$ 0.36
Diluted	\$ 0.08	\$ 0.29	\$ 0.25	\$ 0.35
Weighted-average common shares:				
Basic common stock outstanding	54.5	55.6	54.5	55.9
Diluted common stock and common stock equivalents	54.6	55.8	54.6	56.2

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(1) Cost of product sales and cost of gaming operations exclude the following amounts of depreciation and amortization, which are included in the depreciation and amortization line item:

Cost of product sales	\$ 2.1	\$ 1.4	\$ 4.1	\$ 2.8
Cost of gaming operations	\$ 17.8	\$ 13.1	\$ 35.4	\$ 27.2

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Six Months Ended December 31, 2012 and 2011

(in millions of U.S. dollars)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Net income	\$ 4.3	\$ 16.1	\$ 13.6	\$ 19.9
Foreign currency translation adjustment, net of taxes	1.2	(2.3)	4.1	(5.4)
Total comprehensive income	\$ 5.5	\$ 13.8	\$ 17.7	\$ 14.5

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**WMS INDUSTRIES INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions of U.S. dollars and millions of shares)

	December 31, 2012 (unaudited)	June 30, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 72.8	\$ 62.3
Restricted cash and cash equivalents	15.0	13.8
Total cash, cash equivalents and restricted cash	87.8	76.1
Accounts and notes receivable, net of allowances of \$8.2 and \$6.9, respectively	284.1	282.8
Inventories	55.7	53.3
Other current assets	46.4	40.1
Total current assets	474.0	452.3
NON-CURRENT ASSETS:		
Long-term notes receivable, net	78.3	122.3
Gaming operations equipment, net of accumulated depreciation and amortization of \$250.6 and \$227.1, respectively	122.1	115.7
Property, plant and equipment, net of accumulated depreciation and amortization of \$159.1 and \$142.0, respectively	236.6	226.7
Intangible assets, net	175.4	178.9
Deferred income tax assets	40.6	39.3
Other assets, net	19.7	18.9
Total non-current assets	672.7	701.8
TOTAL ASSETS	\$ 1,146.7	\$ 1,154.1
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 59.3	\$ 84.8
Accrued compensation and related benefits	7.9	9.5
Other accrued liabilities	48.4	76.5
Total current liabilities	115.6	170.8
NON-CURRENT LIABILITIES:		
Long-term debt	85.0	60.0
Deferred income tax liabilities	22.7	22.7
Other non-current liabilities	25.1	23.3
Total non-current liabilities	132.8	106.0
Commitments, contingencies and indemnifications (see Note 12)	0.0	0.0
STOCKHOLDERS EQUITY:		
Preferred stock (5.0 shares authorized; none issued)	0.0	0.0
Common stock (200.0 shares authorized; 59.7 shares issued)	29.8	29.8

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Additional paid-in capital	446.9	443.5
Treasury stock, at cost (5.1 and 4.9 shares, respectively)	(144.2)	(144.1)
Retained earnings	568.5	554.9
Accumulated other comprehensive loss	(2.7)	(6.8)
Total stockholders equity	898.3	877.3
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,146.7	\$ 1,154.1

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents

WMS INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended December 31, 2012 and 2011

(in millions of U.S. dollars)

(Unaudited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		