

KATY INDUSTRIES INC
Form 10-Q
November 17, 2005

THIS DOCUMENT IS A COPY OF THE FORM 10-Q FILED ON NOVEMBER 15, 2005 PURSUANT TO A
RULE 201 TEMPORARY HARDSHIP EXEMPTION

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 Quarterly period ended: September 30, 2005

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 001-05558

Katy Industries, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

75-1277589
(I.R.S. Employer Identification No.)

765 Straits Turnpike, Suite 2000, Middlebury, Connecticut 06762
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (203)598-0397

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: KATY INDUSTRIES INC - Form 10-Q

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

Class	Outstanding at November 15, 2005
Common Stock, \$1 Par Value	7,951,377

KATY INDUSTRIES, INC.
 FORM 10-Q
 September 30, 2005

INDEX

	Page
PART I FINANCIAL INFORMATION	
Item 1.	Financial Statements:
-	<u>Condensed Consolidated Balance Sheets</u>
-	<u>September 30, 2005 and December 31, 2004 (unaudited)</u>
	3
-	<u>Condensed Consolidated Statements of Operations</u>
-	<u>Three Months and Nine Months Ended</u>
-	<u>September 30, 2005 and 2004 (unaudited)</u>
	5
-	<u>Condensed Consolidated Statements of Cash Flows</u>
-	<u>Nine Months Ended September 30, 2005 and 2004 (unaudited)</u>
	6
	<u>Notes to Condensed Consolidated Financial Statements</u>
	<u>(unaudited)</u>
	7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial</u>
-	<u>Condition and Results of Operations</u>
	25
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
	42
<u>Item 4.</u>	<u>Controls and Procedures</u>
	43
PART II OTHER INFORMATION	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	45
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	45
<u>Item 5.</u>	<u>Other Information</u>
	45
<u>Item 6.</u>	<u>Exhibits</u>
	45
<u>Signatures</u>	46
<u>Certifications</u>	

PART I FINANCIAL INFORMATIONItem 1. Financial Statements

KATY INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)
(Unaudited)

ASSETS

	September 30, 2005	December 31, 2004
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,627	\$ 8,525
Accounts receivable, net	76,084	66,689
Inventories, net	60,536	65,674
Other current assets	4,534	4,233
Total current assets	149,781	145,121
OTHER ASSETS:		
Goodwill	2,239	2,239
Intangibles, net	7,814	7,428
Other	9,036	9,946
Total other assets	19,089	19,613
PROPERTY AND EQUIPMENT		
Land and improvements	1,766	1,897
Buildings and improvements	14,353	13,537
Machinery and equipment	138,056	132,825
	154,175	148,259
Less - Accumulated depreciation	(97,009)	(88,529)
Property and equipment, net	57,166	59,730
Total assets	\$ 226,036	\$ 224,464

See Notes to Condensed Consolidated Financial Statements.

KATY INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share Data)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2005	December 31, 2004
CURRENT LIABILITIES:		
Accounts payable	\$ 51,284	\$ 39,079
Accrued compensation	4,438	5,269
Accrued expenses	41,441	39,939
Current maturities of long-term debt	3,472	2,857
Revolving credit agreement	41,085	40,166
Total current liabilities	141,720	127,310
LONG-TERM DEBT, less current maturities	13,571	15,714
OTHER LIABILITIES	10,772	12,855
Total liabilities	166,063	155,879
COMMITMENTS AND CONTINGENCIES (Note 9)	-	-
STOCKHOLDERS' EQUITY		
15% Convertible Preferred Stock, \$100 par value, authorized 1,200,000 shares, issued and outstanding 1,131,551 shares, liquidation value \$113,155	108,256	108,256
Common stock, \$1 par value, authorized 35,000,000 shares, issued 9,822,204 shares	9,822	9,822
Additional paid-in capital	27,016	25,111
Accumulated other comprehensive income	3,338	4,564
Accumulated deficit	(66,619)	(57,258)
Treasury stock, at cost, 1,870,827 and 1,876,827 shares, respectively	(21,840)	(21,910)
Total stockholders' equity	59,973	68,585
Total liabilities and stockholders' equity	\$ 226,036	\$ 224,464

See Notes to Condensed Consolidated Financial Statements.

KATY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Thousands of Dollars, Except Share and Per Share Data)
(Unaudited)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2005	2004	2005	2004
Net sales	\$ 140,557	\$ 135,426	\$ 334,280	\$ 335,843
Cost of goods sold	122,896	117,569	295,310	288,095
Gross profit	17,661	17,857	38,970	47,748
Selling, general and administrative expenses	13,861	14,846	40,100	43,834
Stock option expense	-	-	1,953	-
Severance, restructuring and related charges	662	167	1,975	1,956
(Gain) loss on sale of assets	(187)	3	(353)	(546)
Operating income (loss)	3,325	2,841	(4,705)	2,504
Interest expense	(1,487)	(1,017)	(4,143)	(2,814)
Other, net	219	(30)	209	(261)
Income (loss) before provision for income taxes	2,057	1,794	(8,639)	(571)
Provision for income taxes	724	918	722	1,617
Net income (loss)	1,333	876	(9,361)	(2,188)
Payment-in-kind dividends on convertible preferred stock	-	(3,822)	-	(10,746)
Net income (loss) attributable to common stockholders	\$ 1,333	\$ (2,946)	\$ (9,361)	\$ (12,934)
Income (loss) per share of common stock - Basic:				
Net income (loss)	\$ 0.17	\$ 0.11	\$ (1.18)	\$ (0.28)
Payment-in-kind dividends on convertible preferred stock	-	(0.48)	-	(1.36)
Net income (loss) attributable to common stockholders	\$ 0.17	\$ (0.37)	\$ (1.18)	\$ (1.64)
Income (loss) per share of common stock - Diluted:				
Net income (loss)	\$ 0.05	\$ 0.11	\$ (1.18)	\$ (0.28)
Payment-in-kind dividends on convertible preferred stock	-	(0.48)	-	(1.36)

Edgar Filing: KATY INDUSTRIES INC - Form 10-Q

Net income (loss) attributable to common stockholders	\$	0.05	\$	(0.37)	\$	(1.18)	\$	(1.64)
---	----	------	----	--------	----	--------	----	--------

Weighted average common shares outstanding (thousands):

Basic	7,951	7,870	7,948	7,875
Diluted	26,880	7,870	7,948	7,875

See Notes to Condensed Consolidated Financial Statements.

KATY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(Thousands of Dollars)
(Unaudited)

	2005	2004
Cash flows from operating activities:		
Net loss	\$ (9,361)	\$ (2,188)
Depreciation and amortization	8,606	11,102
Amortization of debt issuance costs	844	804
Stock option expense	1,953	-
Gain on sale of assets	(353)	(546)
	1,689	9,172
Changes in operating assets and liabilities:		
Accounts receivable	(9,596)	(10,637)
Inventories	5,019	(19,072)
Other assets	(471)	(1,136)
Accounts payable	12,456	5,546
Accrued expenses	677	(125)
Other, net	(2,090)	(2,404)
	5,995	(27,828)
Net cash provided by (used in) operating activities	7,684	(18,656)
Cash flows from investing activities:		
Capital expenditures	(5,785)	(10,838)
Acquisition of business, net of cash acquired	(1,658)	-
Collections of note receivable from sale of subsidiary	106	14
Proceeds from sale of assets	931	5,545
Net cash used in investing activities	(6,406)	(5,279)
Cash flows from financing activities:		
Net borrowings on revolving loans	1,045	12,536
Proceeds of term loans	-	-