

AMERICAN VANGUARD CORP
Form 10-Q/A
January 27, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

.. **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 0-6354

AMERICAN VANGUARD CORPORATION

Delaware
(State or other jurisdiction of

Incorporation or organization)

95-2588080
(I.R.S. Employer

Identification Number)

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4695 MacArthur Court, Newport Beach, California
(Address of principal executive offices)

92660
(Zip Code)

(949) 260-1200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common Stock, \$.10 Par Value 5,827,052 shares outstanding as of August 8, 2003.

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AMERICAN VANGUARD CORPORATION

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Explanatory Note:

Items 1 and 2 listed above are each hereby amended by deleting the Item in its entirety and replacing it with the corresponding Item attached hereto and filed herewith. Item 6 listed above is hereby amended by replacing the specified portions indicated herein.

The purpose of this Amendment is to make certain changes to the above referenced Items in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2003 that was originally filed on August 14, 2003 (the "Original Filing"). We are filing this amended Quarterly Report on Form 10-Q/A in response to comments received from the Securities and Exchange Commission (the "SEC") in connection with our Registration Statement on Form S-3 filed on September 30, 2003. This report continues to speak as of the date of the Original Filing and we have not updated the disclosure in this report to speak to any later date. While this report primarily relates to the historical period covered, events may have taken place since the date of the Original Filing that might have been reflected in this report if they had taken place prior to the Original Filing.

Any items in the Original Filing not expressly changed hereby shall be as set forth in the Original Filing. All information contained in this Amendment and the Original Filing is subject to updating and supplementing as provided in the Company's periodic reports filed with the SEC subsequent to the date of such reports.

Table of Contents**PART I. FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands except per share amounts)

(Unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2003	2002	2003	2002
Net sales	\$ 25,944	\$ 20,397	\$ 53,286	\$ 39,415
Cost of sales	13,991	11,042	29,965	22,354
Gross profit	11,953	9,355	23,321	17,061
Operating expenses	9,574	7,533	18,865	13,763
Operating income	2,379	1,822	4,456	3,298
Interest expense	308	272	575	475
Interest income	(304)	(6)	(312)	(12)
Interest capitalized	(148)	(244)	(290)	(244)
Income before income taxes	2,523	1,800	4,483	3,079
Income taxes	798	675	1,534	1,155
Net income	\$ 1,725	\$ 1,125	\$ 2,949	\$ 1,924
Earnings per common share	\$.30	\$.20	\$.51	\$.34
Earnings per common share assuming dilution	\$.28	\$.19	\$.48	\$.32
Weighted average shares outstanding (note 4)	5,827	5,744	5,826	5,743
Weighted average shares outstanding assuming dilution (note 4)	6,164	6,060	6,134	6,038

See notes to consolidated financial statements.

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands)

ASSETS (note 5)

	June 30,	Dec. 31,
	2003	2002
	<u>(Unaudited)</u>	<u>(Note)</u>
Current assets:		
Cash	\$ 337	\$ 3,275
Receivables:		
Trade	19,691	16,975
Other	732	219
	<u>20,423</u>	<u>17,194</u>
Inventories	31,268	21,228
Prepaid expenses	1,078	870
Deferred tax asset	289	289
Income tax benefit	1,280	918
	<u>54,675</u>	<u>43,774</u>
Total current assets	54,675	43,774
Property, plant and equipment, net (note 2)	21,983	19,984
Land held for development	211	211
Intangible assets	16,400	10,878
Other assets	565	601
	<u>\$ 93,834</u>	<u>\$ 75,448</u>

(Continued)

See notes to consolidated financial statements.

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30,	Dec. 31,
	2003	2002
	<u>(Unaudited)</u>	<u>(Note)</u>
Current liabilities:		
Current installments of long-term debt	\$ 4,824	\$ 1,949
Accounts payable	10,744	5,159
Accrued program costs	8,033	4,875
Accrued expenses and other payables	2,434	2,714
Accrued royalty obligations	938	1,215
	<u>26,973</u>	<u>15,912</u>
Total current liabilities	26,973	15,912
Long-term debt, excluding current installments	22,529	17,765
Deferred income taxes	1,528	1,528
	<u>51,030</u>	<u>35,205</u>
Total liabilities	51,030	35,205
Stockholders' Equity:		
Preferred stock, \$.10 par value per share; Authorized 400,000 shares; none issued		
Common stock, \$.10 par value per share, authorized 10,000,000 shares; issued 6,366,885 shares at June 30, 2003 and 6,357,034 shares at December 31, 2002	637	636
Additional paid-in capital	9,608	9,494
Accumulated other comprehensive income	(268)	(272)
Retained earnings	35,063	32,621
	<u>45,040</u>	<u>42,479</u>
Less treasury stock at cost, 539,833 shares at June 30, 2003 and December 31, 2002	(2,236)	(2,236)
	<u>42,804</u>	<u>40,243</u>
Total stockholders' equity	42,804	40,243
	<u>\$ 93,834</u>	<u>\$ 75,448</u>

Note: The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date.

See notes to consolidated financial statements.

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AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

For The Six Months Ended June 30, 2003 and 2002

(Unaudited)

Increase (decrease) in cash	2003	2002
Cash flows from operating activities:		
Net income	\$ 2,949	\$ 1,924
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,806	1,137
Changes in assets and liabilities associated with operations:		
Decrease (increase) in receivables	(3,590)	4,483
Increase in inventories	(10,040)	(2,744)
Increase in prepaid expenses	(208)	(176)
Increase (decrease) in accounts payable	5,586	(3,751)
Increase (decrease) in other payables and accrued expenses	2,601	(1,240)
	(896)	(367)
Net cash used in operating activities		
Cash flows from investing activities:		
Capital expenditures	(3,206)	(4,892)
Additions to intangible assets	(3,321)	(1,774)
Net decrease (increase) in other noncurrent assets	37	(150)
	(6,490)	(6,816)
Net cash used in investing activities		

(Continued)

Table of Contents**AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

For The Six Months Ended June 30, 2003 and 2002

(Unaudited)

Increase (decrease) in cash	2003	2002
Cash flows from financing activities:		
Proceeds from (payments on) lines of credit agreement	\$ 5,500	\$ (2,200)
Proceeds from issuance of long-term debt		10,000
Payments on long-term debt	(661)	(197)
Exercise of stock options	113	19
Payment of cash dividends	(508)	(404)
Purchase of treasury stock		(19)
Net cash provided by financing activities	4,444	7,199
Increase (decrease) in cash	(2,942)	16
Cash at beginning of year	3,275	853
Effect of exchange rate changes on cash	4	
Cash as of June 30	\$ 337	\$ 869

Supplemental schedule of non-cash investing and financial activities:

On March 19, 2003, the Company announced that the Board of Directors declared a cash dividend of \$.13 per share (\$.087 as adjusted for a 3-for-2 stock split) as well as a 3-for-2 stock split. Both the cash dividend and stock split were distributed on April 11, 2003 to stockholders of record at the close of business on March 28, 2003. The cash dividend was paid on the number of shares outstanding prior to the 3-for-2 stock split. Stockholders entitled to fractional shares resulting from the stock split received cash in lieu of such fractional share based on the closing price of the Company's stock on March 28, 2003.

During the period ended June 30, 2003, the Company completed the acquisition of six product lines, one related to the herbicide business and five related to a pre-harvest crop protection business. In connection with these acquisitions, the Company recorded intangible assets in the amount of \$6,121 of which \$3,321 was paid during the period.

See notes to consolidated financial statements.

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AMERICAN VANGUARD CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Numbers in thousands except for share data)

(Unaudited)

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. 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 six-month periods ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Effective January 1, 2002, the Company adopted Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products (EITF 01-9). Upon adoption of EITF 01-9, the Company was required to classify certain payments to its customers as a reduction of sales. The Company previously classified certain of these payments as operating expenses in the consolidated statement of income. Additionally, the Company engages in various customer programs. The Company accounts for these programs as operating expenses in accordance with EITF