

BALLANTYNE STRONG, INC.
Form 10-Q
May 14, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 March 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 Number: 1-13906

BALLANTYNE STRONG, INC.

(Formally Ballantyne of Omaha, Inc.)

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

47-0587703
(IRS Employer
Identification Number)

4350 McKinley Street, Omaha, Nebraska
(Address of Principal Executive Offices)

68112
(Zip Code)

(402) 453-4444

(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 twelve 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 (§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 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:

Class
Common Stock, \$.01, par value

Outstanding as of May 7, 2010
14,184,724 shares

Table of Contents

TABLE OF CONTENTS

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements</u> 1
	<u>Consolidated Balance Sheets, March 31, 2010 and December 31, 2009</u> 1
	<u>Consolidated Statements of Operations for the Three Months Ended March 31, 2010 and 2009</u> 2
	<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2010 and 2009</u> 3
	<u>Notes to the Condensed Consolidated Financial Statements</u> 4
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 16
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 22
<u>Item 4T.</u>	<u>Controls and Procedures</u> 22
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 22
<u>Item 1A.</u>	<u>Risk Factors</u> 22
<u>Item 6.</u>	<u>Exhibits</u> 22
	<u>Signatures</u> 23

Table of Contents**PART I. Financial Information****Item 1. Condensed Consolidated Financial Statements****Ballantyne Strong, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets****March 31, 2010 and December 31, 2009**

	March 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,752,101	\$ 23,589,025
Restricted cash	442,766	442,766
Accounts receivable (less allowance for doubtful accounts of \$220,035 and \$205,314, respectively)	18,704,644	8,877,980
Unbilled revenue	2,421,109	1,894,075
Inventories, net	12,298,126	12,987,048
Recoverable income taxes	1,836,016	1,850,699
Deferred income taxes	2,010,028	1,943,679
Consignment inventory	721,936	486,527
Other current assets	1,231,724	667,592
Total current assets	62,418,450	52,739,391
Investment in joint venture	2,058,040	2,216,638
Property, plant and equipment, net	3,608,494	3,612,935
Intangible assets, net	1,021,080	1,103,128
Other assets	17,257	17,257
Deferred income taxes	604,781	520,951
Total assets	\$ 69,728,102	\$ 60,210,300
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 17,723,762	\$ 9,768,896
Other accrued expenses	3,383,652	3,623,143
Customer deposits	3,452,012	2,295,946
Income tax payable	508,326	1,246,247
Total current liabilities	25,067,752	16,934,232
Deferred income taxes	277,614	274,977
Other accrued expenses, net of current portion	473,517	483,425
Total liabilities	25,818,883	17,692,634
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$.01 per share; Authorized 1,000,000 shares, none outstanding		
Common stock, par value \$.01 per share; Authorized 25,000,000 shares; issued 16,324,706 shares in 2010 and 16,283,676 shares in 2009	163,247	162,836
Additional paid-in capital	35,485,509	35,332,787
Accumulated other comprehensive income (loss):		
Foreign currency translation	(46,516)	(286,086)

Edgar Filing: BALLANTYNE STRONG, INC. - Form 10-Q

Minimum pension liability	110,665	110,665
Retained earnings	23,578,994	22,580,144
	59,291,899	57,900,346
Less 2,139,982 of common shares in treasury, at cost	(15,382,680)	(15,382,680)
Total stockholders' equity	43,909,219	42,517,666
Total liabilities and stockholders' equity	\$ 69,728,102	\$ 60,210,300

See accompanying notes to consolidated financial statements.

Table of Contents**Ballantyne Strong, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations****Three Months Ended March 31, 2010 and 2009**

	2010	2009
Net revenues	\$ 25,337,509	\$ 17,143,453
Cost of revenues	21,041,973	13,764,383
Gross profit	4,295,536	3,379,070
Selling and administrative expenses:		
Selling	714,835	668,399
Administrative	2,000,783	2,076,660
Total selling and administrative expenses	2,715,618	2,745,059
Income from operations	1,579,918	634,011
Interest income	3,765	41,130
Interest expense	(7,817)	(8,113)
Equity in loss of joint venture	(158,598)	(184,512)
Other income (expense), net	(44,017)	181,237
Earnings before income taxes	1,373,251	663,753
Income tax expense	(374,401)	(122,034)
Net earnings	\$ 998,850	\$ 541,719
Basic earnings per share	\$ 0.07	\$ 0.04
Diluted earnings per share	\$ 0.07	\$ 0.04
Weighted average shares outstanding:		
Basic	14,074,997	13,988,206
Diluted	14,271,617	14,111,509

See accompanying notes to consolidated financial statements.

Table of Contents**Ballantyne Strong, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows****Three Months Ended March 31, 2010 and 2009**

	2010	2009
Cash flows from operating activities:		
Net earnings	\$ 998,850	\$ 541,719
Adjustments to reconcile net earnings to net cash used in operating activities:		
Provision for doubtful accounts	19,469	23,587
Provision for obsolete inventory	90,445	147,643
Depreciation of other assets	99,593	148,691
Depreciation of property, plant and equipment	191,511	217,498
Amortization of intangibles	107,182	93,177
Equity in loss of joint venture	158,598	184,512
Deferred income taxes	(154,176)	(454,871)
Share-based compensation expense	89,121	48,081
Changes in assets and liabilities:		
Accounts receivable	(8,513,681)	(5,124,365)
Unbilled revenue	(1,770,926)	
Inventories	652,963	228,047
Consignment inventory	(335,002)	41,783
Other current assets	(561,944)	(888,474)
Accounts payable	7,928,010	2,828,569
Other accrued expenses	(171,286)	510,088
Customer deposits	1,153,720	1,316,466
Current income taxes	(769,313)	(78,018)
Other assets		
Net cash used in operating activities	(786,866)	(215,867)
Cash flows from investing activities:		
Investment in joint venture		9,328
Increase in restricted investments		
Capital expenditures	(148,206)	(274,847)
Proceeds from sales of investments in securities		450,000
Net cash provided by (used in) investing activities	(148,206)	184,481
Effect of exchange rate changes on cash and cash equivalents	98,148	(43,644)
Net decrease in cash and cash equivalents	(836,924)	(75,030)
Cash and cash equivalents at beginning of year	23,589,025	11,424,984
Cash and cash equivalents at end of year	\$ 22,752,101	\$ 11,349,954

See accompanying notes to consolidated financial statements.

Table of Contents

Ballantyne Strong, Inc. and Subsidiaries

Notes to the Condensed Consolidated Financial Statements

Three Months Ended March 31, 2010 and 2009

1. Nature of Operations

On May 20, 2009, the Company amended its Certificate of Incorporation to change the Company's name from Ballantyne of Omaha, Inc. to Ballantyne Strong, Inc. ("Ballantyne" or the "Company") to align the Company with a name known to a majority of the Company's customers and to provide branding to the trademark name "Strong".

Ballantyne, a Delaware corporation, and its wholly owned subsidiaries Strong Westrex, Inc., Strong Technical Services, Inc., Strong / MDI Screen Systems, Inc., and the American West Beijing Trading Company, Ltd., design, develop, manufacture, service and distribute theatre and lighting systems. The Company's products are distributed to movie exhibition companies, sports arenas, auditoriums, amusement parks and special venues.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and all majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements included in this report are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America for annual reporting purposes or those made in the Company's annual Form 10-K. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year-ended December 31, 2009.

In the opinion of management, the unaudited condensed consolidated financial statements of the Company reflect all adjustments of a normal recurring nature necessary to present a fair statement of the financial position and the results of operations and cash flows for the respective interim periods. The results for interim periods are not necessarily indicative of trends or results expected for a full year.

Use of Management Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and changes in facts and circumstances may alter such estimates and affect results of operations and financial position in future periods. Certain 2009 amounts in the accompanying condensed consolidated financial statements and notes thereto have been reclassified to conform to the 2010 presentation.

No changes were made to the Company's significant accounting policies disclosed in Note 2 of the Notes to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2009.

Table of Contents**Ballantyne Strong, Inc. and Subsidiaries****Notes to the Condensed Consolidated Financial Statements (Continued)****Three Months Ended March 31, 2010 and 2009*****Recently Issued Accounting Pronouncements***

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (to be included in ASC Topic 810). This statement requires reporting entities to evaluate former Qualifying Special Purpose Entities (QSPE) for consolidation, changes to approach to determining a Variable Interest Entities (VIE) primary beneficiary from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest. This statement is effective as of the beginning of a Company's first fiscal year that begins after November 15, 2009. The Company does not believe the adoption will have a material impact on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, which amends Subtopic 829-10. ASU 2010-06 enhances disclosure requirements related to fair value measurements. Certain provisions of ASU 2010-06 are effective for annual and interim periods beginning after December 15, 2009 and others for fiscal years beginning after December 15, 2010. Beginning with the quarter ended March 31, 2010, the Company provided new disclosures, as applicable to its fair value instruments. The disclosures required for fiscal periods beginning after December 15, 2010 are currently not applicable to the Company.

3. Earnings Per Common Share

Basic earnings per share have been computed on the basis of the weighted average number of shares of common stock outstanding. Diluted earnings per share has been computed on the basis of the weighted average number of shares of common stock outstanding after giving effect to potential common shares from dilutive stock options. The following table provides reconciliation between basic and diluted earnings per share:

	Three Months Ended March 31,	
	2010	2009
Basic earnings per share:		
Earnings applicable to common stock	\$ 998,850	\$ 541,719
Weighted average common shares outstanding	14,074,997	13,988,206
Basic earnings per share	\$ 0.07	\$ 0.04
Diluted earnings per share:		
Earnings ap		