

EASTERN CO
Form 10-Q
April 26, 2013

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 March 30, 2013

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: 0599

THE EASTERN COMPANY
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of
incorporation or organization)

06-0330020
(I.R.S. Employer
Identification No.)

112 Bridge Street, Naugatuck, Connecticut
(Address of principal executive offices)

06770
(Zip Code)

(203) 729-2255
(Registrant's telephone number, including area code)

Not applicable
(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

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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 (Section 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.

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	Outstanding as of April 24, 2013
Common Stock, No par value	6,220,009

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	March 30, 2013	December 29, 2012
Current Assets		
Cash and cash equivalents	\$ 16,891,943	\$ 18,482,144
Accounts receivable, less allowances: \$522,000 - 2013; \$487,000 - 2012	18,374,908	18,368,774
Inventories	29,791,380	29,384,780
Prepaid expenses and other assets	3,139,371	3,365,904
Recoverable income taxes receivable	408,632	1,158,632
Deferred income taxes	1,064,202	1,064,202
Total Current Assets	69,670,436	71,824,436
Property, Plant and Equipment	59,300,102	58,130,024
Accumulated depreciation	(33,314,571)	(32,469,281)
	25,985,531	25,660,743
Goodwill	13,906,902	13,933,599
Trademarks	171,312	170,512
Patents, technology, and other intangibles net of accumulated amortization	1,636,778	1,653,957
Deferred income taxes	2,463,987	2,610,903
	18,178,979	18,368,971
TOTAL ASSETS	\$ 113,834,946	\$ 115,854,150

LIABILITIES AND SHAREHOLDERS' EQUITY	March 30, 2013	December 29, 2012
Current Liabilities		
Accounts payable	\$ 7,591,618	\$ 7,607,658
Accrued compensation	1,401,937	3,453,709
Other accrued expenses	1,955,865	2,414,135
Current portion of long-term debt	1,428,571	1,428,571
Total Current Liabilities	12,377,991	14,904,073
Other long-term liabilities	607,463	607,463
Long-term debt, less current portion	5,714,286	6,071,428
Accrued postretirement benefits	2,568,340	2,507,726
Accrued pension cost	20,428,922	20,181,361
Shareholders' Equity		
Voting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Nonvoting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Common Stock, no par value:		
Authorized: 50,000,000 shares		
Issued: 8,914,738 shares in 2013 and 8,914,478 shares in 2012	28,590,111	28,585,498
Treasury Stock: 2,694,729 shares in 2013 and 2012	(19,105,723)	(19,105,723)
Retained earnings	79,100,862	78,717,589
Accumulated other comprehensive income (loss):		
Foreign currency translation	2,539,395	2,640,478
Unrecognized net pension and postretirement benefit costs, net of tax	(18,986,701)	(19,255,743)
Accumulated other comprehensive loss	(16,447,306)	(16,615,265)
Total Shareholders' Equity	72,137,944	71,582,099
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 113,834,946	\$ 115,854,150

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales	\$ 34,692,174	\$ 40,495,894
Cost of products sold	(28,425,594)	(32,311,428)
Gross margin	6,266,580	8,184,466
Selling and administrative expenses	(4,681,296)	(5,015,052)
Operating profit	1,585,284	3,169,414
Interest expense	(86,076)	(89,237)
Other income	8,588	6,136
Income before income taxes	1,507,796	3,086,313
Income taxes	502,548	1,040,705
Net income	\$ 1,005,248	\$ 2,045,608
Earnings per share:		
Basic	\$.16	\$.33
Diluted	\$.16	\$.33