

POWER SOLUTIONS INTERNATIONAL, INC.

Form 10-Q

August 15, 2011

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended: June 30, 2011 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: 000-52213

Power Solutions International, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

33-0963637
(IRS Employer
Identification No.)

655 Wheat Lane

Wood Dale, IL
(Address of Principal Executive Offices)

60191
(Zip Code)

Registrant's telephone number, including area code: (630) 350-9400

Format, Inc.

3553 Camino Mira Costa, Suite E, San Clemente, California 92672

(Former name or former address, 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 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 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 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

As of August 12, 2011, there were 10,770,083 outstanding shares of Common Stock, par value \$0.001, of the registrant.

Table of Contents

POWER SOLUTIONS INTERNATIONAL, INC.

QUARTER ENDED JUNE 30, 2011

INDEX

<u>Part I. Financial Information</u>	3
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	3
<u>Condensed Consolidated Statements Of Operations (Unaudited)</u>	4
<u>Condensed Consolidated Statements Of Cash Flows (Unaudited)</u>	5
<u>Notes To Condensed Consolidated Financial Statements (Unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
Item 4. <u>Controls and Procedures</u>	39
<u>Part II Other Information</u>	40
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 6. <u>Exhibits</u>	42
<u>Signatures</u>	44

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

POWER SOLUTIONS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollar amounts in thousands, except per share amounts)	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash	\$	\$
Accounts receivable, net	20,962	16,282
Inventories	30,388	32,168
Prepaid expenses and other current assets	1,487	1,028
Deferred income taxes	835	687
Total current assets	53,672	50,165
Property, plant and equipment, net	2,690	2,883
Other noncurrent assets	1,393	2,305
Total assets	\$ 57,755	\$ 55,353
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Income taxes payable		619
Current maturities of long-term debt and capital lease obligations	22	2,226
Line of credit	16,223	21,633
Accounts payable	18,095	17,210
Accrued liabilities	2,474	2,211
Total current liabilities	36,814	43,899
LONG-TERM OBLIGATIONS		
Other non-current liabilities	189	189
Deferred income taxes	257	233
Private placement warrants	2,783	
Long-term debt and capital lease obligations, net of current maturities	54	5,676
Total liabilities	40,097	49,997
Commitments and contingencies		
Shareholders' equity:		
Series A convertible preferred stock - \$0.001 par value: Authorized 114,000 shares. Issued and outstanding: 113,961 and 95,961 shares at June 30, 2011 and December 31, 2010, respectively.	10,319	
Common stock - \$0.001 par value. Authorized 50,000,000 shares. Issued and outstanding: 10,770,083 and 10,000,000 shares at June 30, 2011 and December 31, 2010, respectively.	11	10

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Common stock warrant	399	
Additional paid-in-capital	5	(3)
Retained earnings	6,924	5,349
Total shareholders' equity	17,658	5,356
Total liabilities and shareholders' equity	\$ 57,755	\$ 55,353

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

Table of Contents

POWER SOLUTIONS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
(Dollar amounts in thousands, except per share amounts)				
Net sales	\$ 35,329	\$ 23,770	\$ 66,682	\$ 43,399
Cost of sales	28,844	19,684	54,218	36,259
Gross profit	6,485	4,086	12,464	7,140
Operating expenses:				
Engineering	1,016	1,026	2,008	1,740
Selling and service	1,775	1,287	3,167	2,458
General and administrative	1,124	715	2,426	1,440
	3,915	3,028	7,601	5,638
Operating income	2,570	1,058	4,863	1,502
Other (income) expense:				
Interest expense	301	486	930	998
Loss on debt extinguishment	485		485	
Other (income) expense, net	658		658	
Income before income taxes	1,126	572	2,790	504
Income tax provision	612	108	1,215	95
Net income	\$ 514	\$ 464	\$ 1,575	\$ 409
Undistributed earnings	\$ 514	\$ 464	\$ 1,575	\$ 409
Undistributed earnings allocable to Series A convertible preferred shares	\$ 496	\$ 448	\$ 1,518	\$ 394
Undistributed earnings allocable to common shares	\$ 18	\$ 16	\$ 57	\$ 15
Weighted-average preferred shares outstanding:				
Basic	108,422	95,961	102,192	95,961
Diluted	108,422	95,961	102,192	95,961
Weighted-average common shares outstanding:				
Basic	10,533,134	10,000,000	10,266,567	10,000,000
Diluted	10,533,134	10,000,000	10,266,567	10,000,000
Undistributed earnings per share - Basic				
Series A convertible preferred shares	\$ 4.57	\$ 4.67	\$ 14.85	\$ 4.11
Common shares	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00

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Undistributed earnings per share - Diluted								
Series A convertible preferred shares	\$	4.57	\$	\$4.67	\$	14.85	\$	4.11
Common shares	\$	0.00	\$	\$0.00	\$	0.01	\$	0.00

See Note 4, Earnings Per Share, for the computation of undistributed earnings per share allocated to preferred and common shares and the computation of earnings per share on a post-Reverse Split basis.

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

Table of Contents

POWER SOLUTIONS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollar amounts in thousands)	Six months ended June 30, 2011	Six months ended June 30, 2010
Cash flows from operating activities:		
Net income	\$ 1,575	\$ 409
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	389	401
Deferred income taxes	(124)	(7)
Increase (decrease) in accounts receivable allowances	55	(2)
Decrease in valuation of private placement warrants	(105)	
Loss on debt extinguishment	485	
(Increase) decrease in operating assets:		
Accounts receivable	(4,735)	14,286
Inventories	1,780	1,807
Prepaid and other current assets	(608)	(492)
Other noncurrent assets	246	290
(Increase) decrease in operating liabilities:		