BRIDGETON, Mo., Nov. 12, 2013 /PRNewswire/ -- Katy Industries, Inc. (OTC BB: KATY) today reported net income in the third quarter of 2013 of $0.2 million versus a net loss of $2.8 million in the third quarter of 2012. Income from continuing operations was $0.2 million in the third quarter of 2013 compared to a loss of $0.4 million in the third quarter of 2012. Operating income was $0.4 million, or 2.0% of net sales, in the third quarter of 2013, compared to a loss of $0.2 million, or 1.0% of net sales, for the same period in 2012.

Financial highlights for the third quarter of 2013, as compared to the same period in the prior year, included:

- Net sales in the third quarter of 2013 were $20.9 million, a decrease of $1.4 million, or 6.1%, compared to the same period in 2012. The decrease was a result of volume shortfall in our Wilen business unit.
- Gross margin was 17.3% in the third quarter of 2013, an increase from 14.6% in the third quarter of 2012. The increase in gross margin was primarily a result a mix of higher margin product sales and operational efficiencies.
- Selling, general and administrative expenses decreased from $3.4 million in the third quarter of 2012 to

$3.0 million in the third quarter of 2013. The decrease was primarily due to headcount reductions and better casualty insurance experience in the third quarter of 2013.

The Company reported a net loss for the nine months ended September 27, 2013 of $0.5 million, or $0.06 per share, versus a net loss of $6.1 million, or $0.76 per share, for the nine months ended September 28, 2012. Loss from continuing operations was $0.9 million for the nine months ended September 27, 2013 compared to $2.2 million for the nine months ended September 28, 2012. Operating loss was $0.3 million, or 0.6% of net sales, for the nine months ended September 27, 2013, compared to $1.9 million, or 3.1% of net sales, for the nine months ended September 28, 2012.

Financial highlights for the nine months ended September 27, 2013, as compared to the nine months ended September 28, 2012, included:

- Net sales for the nine months ended September 27, 2013 were $59.8 million, a decrease of $2.2 million, or 3.5%, compared to the same period in 2012. The decrease was a result of volume shortfall in our Wilen business unit.

- Gross margin was 15.8% for the nine months ended September 27, 2013, an increase of 70 basis points from the same period a year ago. The increase in gross margin was primarily a result a mix of higher margin product sales and operational efficiencies.
- Selling, general and administrative expenses were $9.2 million for the first nine months of 2013 as compared to $11.3 million for the first nine months of 2012. The decrease was primarily due to one-time settlements, headcount reductions and better insurance experience for the nine months ended September 27, 2013 as compared to the nine months ended September 28, 2012.

Operations provided $3.0 million of free cash flow in the first nine months of 2013 compared to providing $3.3 million during the same period a year ago. This decrease was primarily the result of cash provided by the refund of $2.5 million in cash collateralization of letters of credit in connection with the termination of the PNC credit agreement during the nine months ended September 28, 2012 partially offset by cash provided by discontinued operations in the nine months ended September 27, 2013. Free cash flow, a non-GAAP financial measure, is discussed further below.

Debt at September 27, 2013 was $8.7 million, versus $10.9 million at December 31, 2012.

"We are pleased to report net income in the third quarter due to improvement in our operations," stated David J. Feldman, Katy's President and Chief Executive Officer. "We expect to realize ongoing benefits as the economy strengthens and raw material prices stabilize."

Non-GAAP Financial MeasuresTo provide transparency about measures of Katy's financial performance which management considers most relevant, the Company supplements the reporting of Katy's consolidated financial information under GAAP with a non-GAAP financial measure, Free Cash Flow. Free Cash Flow is defined by Katy as cash flow from operating activities less capital expenditures. A reconciliation of this non-GAAP measure to a comparable GAAP measure is provided in the "Statements of Cash Flows" accompanying this press release. This non-GAAP financial measure should be considered in addition to, and not as a substitute or superior to, the other measures of financial performance prepared in accordance with GAAP. Using only the non-GAAP financial measure to analyze the Company's performance would have material limitations because its calculation is based on the subjective determinations of management regarding the nature and classification of events and circumstances that investors may find material. Management compensates for these limitations by utilizing both the GAAP and non-GAAP measures reflected below to understand and analyze the results of its business. Katy believes this measure is nonetheless useful to management and investors in measuring cash generated that is available for repayment of debt obligations, investment in growth through acquisitions, new business development and stock repurchases.

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Forward-looking statements include all statements of the Company's plans, beliefs or expectations with respect to future events or developments and often may be identified by such words or phrases as "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "may," "should," "will," "continue," "is subject to," or similar expressions. These forward-looking statements are based on the opinions and beliefs of Katy's management, as well as assumptions made by, and information currently available to, the Company's management. Additionally, the forward-looking statements are based on Katy's current expectations and projections about future events and trends affecting the financial condition of its business. The forward-looking statements are subject to risks and uncertainties that may lead to results that differ materially from those expressed in any forward-looking statement made by the Company or on its behalf. These risks and uncertainties include, without limitation, conditions in the general economy and in the markets served by the Company, including changes in the demand for its products; success of any restructuring or cost control efforts; an increase in interest rates; competitive factors, such as price pressures and the potential emergence of rival technologies; interruptions of suppliers' operations or other causes affecting availability of component materials or finished goods at reasonable prices; changes in product mix, costs and yields; labor issues at the Company's facilities or those of its suppliers; legal claims or other regulatory actions; and other risks identified from time to time in the Company's filings with the SEC, including its Report on Form 10-K for the year ended Dece mber 31, 2012
. Katy undertakes no obligation to revise or update such statements to reflect current events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Katy Industries, Inc. is a diversified corporation focused on the manufacture, import and distribution of commercial cleaning products and consumer home products.

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KATY INDUSTRIES, INC. SUMMARY OF OPERATIONS - UNAUDITED

(In thousands, except per share data)

Three Months Ended

Nine Months Ended

September 27,

September 28,

September 27,

September 28,

2013

2012

2013

2012

Net sales

$ 20,852

$ 22,209

$ 59,817

$ 61,969

Cost of goods sold

17,246

18,997

50,364

52,630

Gross profit

3,606

3,212

9,453

9,339

Selling, general and administrative expenses

2,951

3,444

9,236

11,287

Severance, restructuring and related charges

-

-

321

-

Loss on disposal of assets

230

-

230

-

Operating income (loss)

425

(232)

(334)

(1,948)

Interest expense

(302)

(233)

(678)

(559)

Other, net

66

40

137

264

Income (loss) from continuing operations before income tax expense

189

(425)

(875)

(2,243)

Income tax expense from continuing operations

(4)

(3)

(17)

(2)

Income (loss) from continuing operations

185

(428)

(892)

(2,245)

(Loss) income from operations of discontinued businesses (net of tax)

(14)

(1,710)

373

(3,193)

Loss on sale of discontinued business (net of tax)

-

(616)

-

(616)

Net income (loss)

$ 171

$ (2,754)

$ (519)

$ (6,054)

Net income (loss)

$ 171

$ (2,754)

$ (519)

$ (6,054)

Other comprehensive (loss) income:

Foreign currency translation

(34)

67

(45)

61

Total comprehensive income (loss)

$ 137

$ (2,687)

$ (564)

$ (5,993)

Income (loss) income per share of common stock - Basic

Income (loss) from continuing operations

$ 0.02

$ (0.06)

$ (0.11)

$ (0.28)

Discontinued operations

(0.00)

(0.29)

0.05

(0.48)

Net income (loss)

$ 0.02

$ (0.35)

$ (0.06)

$ (0.76)

Income (loss) income per share of common stock - Diluted

Income (loss) from continuing operations

$ 0.01

$ (0.06)

$ (0.11)

$ (0.28)

Discontinued operations

(0.01)

(0.29)

0.05

(0.48)

Net income (loss)

$ -

$ (0.35)

$ (0.06)

$ (0.76)

Weighted average common shares outstanding:

Basic

7,951

7,951

7,951

7,951

Diluted

26,810

7,951

7,951

7,951

Other Information:

LIFO adjustment expense

$ (9)

$ 301

$ 179

$ 678

KATY INDUSTRIES, INC. BALANCE SHEETS - UNAUDITED

(In thousands)

September 27,

December 31,

Assets

2013

2012

Current assets:

Cash

$ 1,062

$ 621

Accounts receivable, net

8,666

9,270

Inventories, net

11,385

12,733

Other current assets

681

1,456

Assets held for sale

74

1,675

Total current assets

21,868

25,755

Other Assets:

1,617

1,835

Property and equipment

55,480

55,118

Less: accumulated depreciation

(48,210)

(46,716)

Property and equipment, net

7,270

8,402

Total assets

$ 30,755

$ 35,992

Liabilities and stockholders' equity

Current liabilities:

Accounts payable

$ 6,710

$ 6,172

Book overdraft

190

493

Accrued expenses

9,498

10,198

Payable to related party

2,625

2,250

Deferred revenue

186

688

Revolving credit agreement

8,710

10,903

Total current liabilities

27,919

30,704

Deferred revenue

356

1,917

Other liabilities

5,602

5,964

Total liabilities

33,877

38,585

Stockholders' equity:

Convertible preferred stock

108,256

108,256

Common stock

9,822

9,822

Additional paid-in capital

27,110

27,110

Accumulated other comprehensive loss

(2,473)

(2,463)

Accumulated deficit

(124,400)

(123,881)

Treasury stock

(21,437)

(21,437)

Total stockholders' equity

(3,122)

(2,593)

Total liabilities and stockholders' equity

$ 30,755

$ 35,992

KATY INDUSTRIES, INC. STATEMENTS OF CASH FLOWS - UNAUDITED

(In thousands)

Nine Months Ended

September 27,

September 28,

2013

2012

Cash flows from operating activities:

Net loss

$ (519)

$ (6,054)

Income (loss) from discontinued operations

373

(3,809)

Loss from continuing operations

(892)

(2,245)

Depreciation and amortization

1,550

1,597

Amortization of intangible assets

-

196

Amortization of debt issuance costs

155

178

Stock-based compensation

15

52

Loss (gain) on sale or disposal of assets

230

(2)

1,058

(224)

Changes in operating assets and liabilities:

Accounts receivable

(1,830)

(1,541)

Inventories

(742)

1,993

Other assets

379

3,184

Accounts payable

1,390

(103)

Accrued expenses

265

410

Payable to related party

375

500

Deferred revenue

(155)

(146)

Other

(393)

115

(711)

4,412

Net cash provided by operating activities

347

4,188

Net cash provided by (used in) discontinued operations

1,133

(590)

Net cash provided by operating activities

1,480

3,598

Cash flows from investing activities:

Capital expenditures

(391)

(548)

Net cash used in continuing operations

(391)

(548)

Net cash provided by discontinued operations

1,913

258

Net cash provided by (used in) investing activities

1,522

(290)

Cash flows from financing activities:

Net repayments

(2,193)

(3,126)

Decrease in book overdraft

(303)

(216)

Net cash used in financing activities

(2,496)

(3,342)

Effect of exchange rate changes on cash from continuing operations

(49)

388

Effect of exchange rate changes on cash from discontinued operations

(16)

(147)

Effect of exchange rate changes on cash

(65)

241

Net increase in cash

441

207

Cash, beginning of period

621

730

Cash, end of period

$ 1,062

$ 937

Reconciliation of free cash flow to GAAP Results:

Net cash provided by operating activities

$ 1,480

$ 3,598

Net capital expenditures

1,522

(290)

Free cash flow

$ 3,002

$ 3,308

SOURCE Katy Industries, Inc.