

Avcorp announces 2013 Third Quarter Financial Results

Written by Australian Business

VANCOUVER, Nov. 12, 2013 /PRNewswire/ - Avcorp Industries Inc. (TSX: AVP) (the "Company" or "Avcorp") today announced its consolidated financial results for the quarter ended September 30, 2013.

During the quarter ended September 30, 2013, the Company generated \$19,767,000 revenue as compared to \$19,324,000 revenue for the quarter ended September 30, 2012.

. Current quarter revenues have remained relatively stable from the same quarter in the preceding year, primarily as the wind-down of Cessna Aircraft Company ("Cessna") programs has been offset by an increase in F-35 Outboard Wing program revenues.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was positive \$514,000 for the quarter ended September 30, 2013 compared to a negative EBITDA of \$1,205,000 for the quarter ended September 30, 2012.

The increase in EBITDA was primarily as a result of increased gross profit, as well as reduced administrative and general expenses.

On September 5, 2013 the Company entered into a settlement agreement, from a court directed mediation with Cessna, which settled all outstanding litigation between the Company and Cessna. The settlement required payment by Cessna of US\$27,964,000 in satisfaction of the US\$28,464,000 judgement entered against Cessna by the United States District Court for the District of Kansas

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(the "District Court") on

May 8, 2013

which judgement was under appeal to

the United States

Court of Appeals for the Tenth Circuit. The settlement funds were received in full by the

Company on

September 6, 2013.

The acceptance by the Company of a settlement amount less than that awarded by the District

Court in a previous quarter has resulted in the Company reducing a previously recorded gain

by

\$525,000

during the current quarter. The settlement satisfies the judgement and has resulted in the

dismissal of the outstanding appeal.

A restructuring provision amounting to approximately \$224,000 has been recorded during the current quarter to reflect severance costs associated with employees laid-off during the current quarter.

In addition to the above-noted charges against income, the current quarter \$1,139,000 loss (September 30, 2012

:

\$2,729,000

loss) includes a

\$644,000

foreign exchange loss resulting from holding foreign currency denominated cash, accounts receivable and payable; while the loss for the quarter ended

September 30, 2012

included a

\$300,000

foreign exchange loss.

Cash flows from operating activities, before consideration of changes in non-cash working capital utilized \$4,063,000 of cash for the quarter ended September 30, 2013 compared to

utilizing

\$2,866,0

00

of

cash during the same quarter in the previous year. The increase in cash utilization in 2013

from 2012 is primarily attributable to recognition of revenues which were funded in previous

periods. The Company has a working capital surplus of

\$30,103,000

as at

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September 30, 2013

which has decreased from the

December 31, 2012

\$34,819,000

surplus, as a result of repaying bank indebtedness from settlement proceeds. The Company's accumulated deficit as at

September 30, 2013

is

\$54,810,000

(

December 31, 2012

:

\$55,375,000

).

About Avcorp

Avcorp designs and builds major airframe structures for some of the world's leading aircraft companies, including BAE Systems, Boeing, and Bombardier. With more than 50 years of experience, over 400 skilled employees and 354,000 square feet of facilities in Delta BC and Burlington ON, Avcorp offers integrated composite and metallic aircraft structures to aircraft manufacturers, a distinct advantage in the pursuit of contracts for new aircraft designs, which require lower-cost, light weight, strong, reliable structures. Our Comtek subsidiary also offers composite repairs for commercial aircraft out of their

Burlington

location. Avcorp is a Canadian public company traded on the Toronto Stock Exchange (TSX:AVP).

(signed)

MARK VAN ROOIJ PRESIDENT and CHIEF EXECUTIVE OFFICER

Forward-Looking Statements

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This release should be read in conjunction with the Company's unaudited financial statements contained in the Company's Annual Report and with the quarterly financial statements and accompanying notes filed with Sedar (www.sedar.com).

Certain statements in this release and other oral and written statements made by the Company from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or projected revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) the extent to which the Company is able to achieve savings from its restructuring plans; (b) uncertainty in estimating the amount and timing of restructuring charges and related costs; (c) changes in worldwide economic and political conditions that impact interest and foreign exchange rates; (d) the occurrence of work stoppages and strikes at key facilities of the Company or the Company's customers or suppliers; (e) government funding and program approvals affecting products being developed or sold under government programs; (f) cost and delivery performance under various program and development contracts; (g) the adequacy of cost estimates for various customer care programs including servicing warranties; (h) the ability to control costs and successful implementation of various cost reduction programs; (i) the timing of certifications of new aircraft products; (j) the occurrence of further downturns in customer markets to which the Company products are sold or supplied or where the Company offers financing; (k) changes in aircraft delivery schedules or cancellation of orders; (l) the Company's ability to offset, through cost reductions, raw material price increases and pricing pressure brought by original equipment manufacturer customers; (m) the availability and cost of insurance; (n) the Company's ability to maintain portfolio credit quality; (o) the Company's access to debt financing at competitive rates; and (p) uncertainty in estimating contingent liabilities and establishing reserves tailored to address such contingencies.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(unaudited, prepared in accordance with IFRS, expressed in thousands of Canadian dollars)*

	September 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash	\$ 21,403	\$ 2,597
Accounts receivable	10,438	7,944
Inventories	16,917	16,572
Prepayments and other assets	957	1,634
Other receivable	-	27,391
	49,715	56,138
Non-current assets		
Prepaid rent	146	146

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Development costs	1,198	2,718
Property, plant and equipment, net	8,718	9,633
Total assets	59,777	68,635

LIABILITIES AND EQUITY

Current liabilities

Bank indebtedness	-	2,122
Accounts payable and accrued liabilities	7,559	7,859
Current portion of long-term debt	853	692
Preferred shares	11,200	10,646
	19,612	21,319

Non-current liabilities

Deferred gain	228	263
Lease inducement	493	567
Deferred program revenues	9,232	17,514
Long-term debt	3,672	4,300
Warranty provisions	85	85
	33,322	44,048

Equity

Capital stock	77,681	76,423
Contributed surplus	3,584	3,539
Deficit	(54,810)	(55,375)
	26,455	24,587
Total liabilities and equity	59,777	68,635

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME *(unaudited, prepared in accordance with IFRS, expressed in thousands of Canadian dollars, except number of shares and per share amounts)*

	Three months ended 2013	Nine months ended 2012	2013
FOR THE PERIOD ENDED SEPTEMBER			
Revenues	\$ 19,767	\$ 19,324	\$ 60,205
Cost of sales	16,493	16,936	51,463
Gross profit	3,274	2,388	8,742
Administrative and general expenses	2,816	3,715	8,292
Office equipment depreciation	144	119	432
Other operating (income) loss	525	-	(604)

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Operating Income (Loss)	(211)	(1,446)	622
Foreign exchange (gain) loss	644	300	(783)
Finance costs	284	586	840
Loss on repayment of debt	-	397	-
Income (loss) before income tax	(1,139)	(2,729)	565
Income tax expense	-	-	-
Income (loss) and total comprehensive income (loss) for the period	(1,139)	(2,729)	565
Earnings per share:			
Basic earnings per common share	(0.00)	(0.01)	0.00
Diluted earnings per common share	(0.00)	(0.01)	0.00
Basic weighted average number of shares outstanding (000's)	280,390	205,851	268,344
Diluted weighted average number of shares outstanding (000's)	280,390	205,851	269,877

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited, prepared in accordance with IFRS, expressed in thousands of Canadian dollars)*

	Three months ended 2013	Nine months ended 2012	2013
FOR THE PERIOD ENDED SEPTEMBER			
Cash flows from (used in) operating activities			
Income (loss) before tax	\$ (1,139)	\$ (2,729)	\$ 565
Adjustment for items not affecting cash:			
Accrued interest and government royalties	94	330	275
Depreciation	494	724	1,561
Deferred tooling revenue amortization and reclassification to (2,201)	(4,949)	(2,201)	(14,492)
Development cost amortization and write-offs	375	662	1,855
Loss on repayment of debt	-	397	-
Loss on settlement	525	-	525
Preferred share dividends accrued	186	189	563
Provision for obsolete inventory	(156)	(84)	(259)
Other items	7	(63)	(15)
	(4,063)	(2,866)	(9,422)
Changes in non-cash working capital			
Accounts receivable	(251)	2,869	597

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Inventories	(197)	(272)	(86)
Prepayments and other assets	180	471	675
Other receivable	29,380	-	26,832
Accounts payable and accrued liabilities	(1,003)	148	(313)
Net cash from (used in) operating activities	21,066	350	18,283
Cash flows from (used in) investing activities			
Purchase of equipment	(218)	(53)	(646)
Payments relating to development costs and tooling	(25)	(280)	(335)
Net cash from (used in) investing activities	(243)	(333)	(981)
Cash flows from (used in) financing activities			
(Decrease) in bank indebtedness	(6,496)	-	(2,122)
Payment of interest	(95)	(552)	(277)
Repayment of current and long-term debt	(170)	(7,097)	(466)
Proceeds from customer funding of program production	1,549	1,680	3,120
Proceeds from issuance of common shares	-	973	1,249
Net cash from financing activities	(5,212)	(4,996)	1,504
Net increase (decrease) in cash	18,591	(4,979)	18,806
Cash - Beginning of period	2,812	6,382	2,597
Cash - End of period	21,403	1,403	21,403

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited, prepared in accordance with IFRS, expressed in thousands of Canadian dollars, except number of shares)*

	Share capital Shares	Equity Amount	component
Balance December 31, 2011	201,994,113	\$ 73,251	\$ 453
Issue of common shares	52,903,959	2,966	-
Loan conversion	-	-	(247)
Stock based compensation expense	-	-	-
Income (loss) for the period	-	-	-
Balance September 30, 2012	254,898,072	76,217	206
Balance December 31, 2012	254,898,072	76,423	-

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Issue of common shares	25,493,080	1,258	-
Stock-based compensation expense	-	-	-
Income for the period	-	-	-
Balance September 30, 2013	280,391,152	77,681	-

SOURCE Avcorp Industries Inc.