

INDUSTRIAL SERVICES OF AMERICA INC /FL
Form 10-Q
November 14, 2011

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549

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

For the quarterly period ended September 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 0-20979

INDUSTRIAL SERVICES OF AMERICA, INC.

(Exact Name of Registrant as specified in its Charter)

Florida

59-0712746

(State or other jurisdiction of
Incorporation or Organization)

(IRS Employer
Identification No.)

7100 Grade Lane, PO Box 32428
Louisville, Kentucky 40232
(Address of principal executive offices)

(502) 368-1661
(Registrant's Telephone Number, Including Area Code)

Check 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 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.

(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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 30, 2011: 6,940,517.

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INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

ITEM 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2011 (Unaudited)	December 31, 2010
	(in thousands)	
Current assets		
Cash and cash equivalents	\$ 3,037	\$ 2,468
Income tax receivable	3,177	
Accounts receivable trade (after allowance for doubtful accounts of \$100 thousand in 2011 and 2010)	28,409	27,449
Net investment in sales-type leases	38	33
Inventories	21,027	34,311
Deferred income taxes	511	942
Prepaid expenses	535	392
Employee loans	5	6
Total current assets	56,739	65,601
Net property and equipment	26,555	27,554
Other assets		
Net investment in sales-type leases	11	40
Notes receivable related party	56	88
Goodwill	6,840	6,840
Intangible assets, net	5,213	5,775
Deposits	626	263
Total other assets	12,746	13,006
Total assets	\$ 96,040	\$ 106,161

See accompanying notes to consolidated financial statements.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
CONTINUEDLIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2011 (Unaudited)	December 31, 2010
	(in thousands)	
Current liabilities		
Current maturities of long-term debt (Note 4)	\$ 1,872	\$ 1,824
Accounts payable	5,646	11,406
Income tax payable		2,909
Interest rate swap agreement liability (Note 4)	558	650
Accrued bonuses		1,175
Other current liabilities	509	319
Total current liabilities	8,585	18,283
Long-term liabilities		
Long-term debt (Note 4)	44,729	43,623
Deferred income taxes	3,390	3,373
Total long-term liabilities	48,119	46,996
Shareholders' equity		
Common stock, \$0.0033 par value: 10,000,000 shares authorized, 7,192,500 shares issued in 2011 and 2010, 6,940,517 and 6,789,917 shares outstanding in 2011 and 2010, respectively	24	24
Additional paid-in capital	18,282	17,852
Retained earnings	21,882	23,938
Accumulated other comprehensive loss	(338)	(353)
Treasury stock at cost, 251,983 and 407,583 shares in 2011 and 2010, respectively	(514)	(579)
Total shareholders' equity	39,336	40,882
Total liabilities and shareholders' equity	\$ 96,040	\$ 106,161

See accompanying notes to consolidated financial statements.

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INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)

	<u>2011</u>	<u>2010</u>
	(in thousands, except per share information)	
Revenue from services	\$ 1,403	\$ 1,761
Revenue from product sales	54,363	74,789
Total Revenue	55,766	76,550
Cost of goods sold for services	1,300	1,687
Cost of goods sold for product sales	55,496	67,494
Inventory adjustment for lower of cost or market	3,441	
Total Cost of goods sold	60,237	69,181
Selling, general and administrative expenses	2,694	3,884
(Loss) income before other income (expense)	(7,165)	3,485
Other income (expense)		
Interest expense	(426)	(353)
Interest income	5	6
Gain (loss) on sale of assets	(30)	22
Other income (loss), net	19	44
Total other expense	(432)	(281)
(Loss) income before income taxes	(7,597)	3,204
Income tax provision (benefit)	(3,061)	1,281
Net (loss) income	\$ (4,536)	\$ 1,923
Basic (loss) earnings per share	\$ (0.67)	\$ 0.28
Diluted (loss) earnings per share	\$ (0.67)	\$ 0.28
Weighted shares outstanding:		
Basic	6,790	6,785
Diluted	6,790	6,835

See accompanying notes to consolidated financial statements.

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INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(UNAUDITED)

	2011	2010
	(in thousands, except per share information)	
Revenue from services	\$ 4,064	\$ 4,831
Revenue from product sales	222,852	238,703
Total Revenue	226,916	243,534
Cost of goods sold for services	3,758	4,474
Cost of goods sold for product sales	212,345	217,654
Inventory adjustment for lower of cost or market	3,441	
Total Cost of goods sold	219,544	222,128
Selling, general and administrative expenses	9,045	10,649
(Loss) income before other income (expense)	(1,673)	10,757
Other income (expense)		
Interest expense	(1,632)	(1,022)
Interest income	16	24
Gain on sale of assets	111	256
Other income (loss), net	(483)	40
Total other expense	(1,988)	(702)
(Loss) income before income taxes	(3,661)	10,055
Income tax provision (benefit)	(1,605)	4,022
Net (loss) income	\$ (2,056)	\$ 6,033
Basic (loss) earnings per share	\$ (0.30)	\$ 0.92
Diluted (loss) earnings per share	\$ (0.30)	\$ 0.91
Weighted shares outstanding:		
Basic	6,922	6,567
Diluted	6,922	6,611

See accompanying notes to consolidated financial statements.

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INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
 NINE MONTHS ENDED SEPTEMBER 30, 2011
 (UNAUDITED)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders Equity
	Shares	Amount				Shares	Cost	
(in thousands, except share information)								
Balance as of December 31, 2010	7,192,500	\$ 24	\$ 17,852	\$ 23,938	\$ (353)	(402,583)	\$ (579)	\$ 40,882

Net unrealized income on derivative
 instruments, net of tax

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