

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): March 6, 2020

Hurco Companies, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Indiana

(State or Other Jurisdiction of Incorporation)

0-9143

(Commission File Number)

35-1150732

(IRS Employer Identification No.)

One Technology Way  
Indianapolis, Indiana

(Address of Principal Executive Offices)

46268

(Zip Code)

(317) 293-5309

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class        | Trading Symbol(s) | Name of each exchange on which registered |
|----------------------------|-------------------|---|
| Common Stock, no par value | HURC              | Nasdaq Global Select Market               |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition**

On March 6, 2020, Hurco Companies, Inc. (the "Registrant") reported its results of operations for the first fiscal quarter ended January 31, 2020. The Registrant's earnings release for the period is attached as Exhibit 99.1 and the information set forth therein is incorporated herein by reference and constitutes a part of this report. The attached Exhibit is furnished pursuant to Item 2.02 of Form 8-K.

**Item 9.01 Financial Statements and Exhibits**Exhibit Index

[99.1 Press Release of Hurco Companies, Inc. dated March 6, 2020.](#)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: March 6, 2020

HURCO COMPANIES, INC.

By: /s/ Sonja K. McClelland

Sonja K. McClelland, Executive Vice President,  
Secretary, Treasurer and Chief Financial Officer

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**FOR IMMEDIATE RELEASE**  
**FRIDAY, MARCH 6, 2020**

**HURCO REPORTS FIRST QUARTER RESULTS FOR FISCAL 2020**

**INDIANAPOLIS, INDIANA – March 6, 2020** -- Hurco Companies, Inc. (Nasdaq: HURC) today reported results for the first fiscal quarter ended January 31, 2020. Hurco recorded a net loss of \$893,000, or \$(0.13) per diluted share, for the first quarter of fiscal 2020, compared to net income of \$6,654,000, or \$0.97 per diluted share, for the corresponding period in fiscal 2019.

Sales and service fees for the first quarter of fiscal 2020 were \$43,660,000, a decrease of \$30,553,000, or 41%, compared to the corresponding prior year period and included an unfavorable currency impact of \$259,000, or less than 1%, when translating foreign sales to U.S. dollars for financial reporting purposes.

Michael Doar, Chief Executive Officer, stated, “Although the last four fiscal years represented our highest annual revenue periods in company history, a variety of recently developing market and industry factors combined to significantly soften global demand, and increase pricing pressures, for machine tool products during our first quarter of fiscal 2020. Nevertheless, we firmly believe that our fiscally-conservative culture and cost-cutting measures that we started implementing in fiscal 2019 helped to minimize the impact of the steep sales decline we experienced during the period. Our organizational agility to implement cost saving initiatives quickly and our strong balance sheet will allow us to stay the course and to continue to return value to shareholders – even through this worldwide economic slowdown. We will continue to implement our plans for technology innovation, which is fundamental to our product development, and to evaluate potential acquisitions that could help us grow in strategic markets around the globe. We continue to believe economic downturns represent opportunities to invest in new technologies and acquire new businesses, at great value, in order to better position ourselves to benefit from subsequent economic expansions.”

The following table sets forth net sales and service fees by geographic region for the first quarter ended January 31, 2020 and 2019 (dollars in thousands):

|              | Three Months Ended |           |             |          |
|--------------|--------------------|-----------|-------------|----------|
|              | January 31,        |           |             |          |
|              | 2020               | 2019      | \$ Change   | % Change |
| Americas     | \$ 17,479          | \$ 29,156 | \$ (11,677) | -40%     |
| Europe       | 20,085             | 35,711    | (15,626)    | -44%     |
| Asia Pacific | 6,096              | 9,346     | (3,250)     | -35%     |
| Total        | \$ 43,660          | \$ 74,213 | \$ (30,553) | -41%     |

Since the beginning of fiscal 2020, our operating results have been adversely affected by the ongoing economic slowdown in Germany, trade tensions between U.S. and China, political friction in the U.S., the U.K. Brexit activities and more recently the international business disruption due to the outbreak of coronavirus. Many of our customers deferred or eliminated investments in capital equipment, which we attribute largely to the uncertainty these events created. During the first quarter of fiscal 2020, sales declined in all regions, particularly in Europe and the Americas, our primary markets for our higher-performance, higher-priced machines. Additionally, global machine tool manufacturers have priced their excess inventories more competitively in order to realign inventory levels with current demand.

Sales in the Americas for the first quarter of fiscal 2020 decreased by 40%, compared to the corresponding period in fiscal 2019, primarily due to a reduced volume of shipments of Hurco, Milltronics and Takumi machines. Sales in the Americas in the first quarter of fiscal 2019 also benefitted from strong demand and backlog coming off fiscal 2018, a record sales year for Hurco.

European sales for the first quarter of fiscal 2020 decreased by 44%, compared to the corresponding period in fiscal 2019, and included an unfavorable currency impact of less than 1%, when translating foreign sales to U.S. dollars for financial reporting purposes. The decrease in European sales for the first quarter of fiscal 2020 was primarily attributable to a reduced volume of shipments of Hurco and Takumi machines in Germany and the United Kingdom, as well as a decrease in sales of electro-mechanical components and accessories manufactured by our wholly-owned subsidiary in Italy, LCM Precision Technology S.r.l (“LCM”). Sales in Europe in the first quarter of fiscal 2019 also benefitted from higher demand and backlog from the fourth quarter of fiscal 2018.

Asian Pacific sales for the first quarter of fiscal 2020 decreased by 35%, compared to the corresponding period in fiscal 2019, and included a negative currency impact of less than 1%, when translating foreign sales to U.S. dollars for financial reporting purposes. The year-over-year reduction in Asian Pacific sales primarily resulted from a reduced volume of shipments of Hurco vertical milling and lathe machines in China, India and Southeast Asia, as well as lower sales of Takumi vertical milling machines in China.

Orders for the first quarter of fiscal 2020 were \$45,580,000, a decrease of \$22,427,000, or 33%, compared to the corresponding period in fiscal 2019, and included an unfavorable currency impact of \$201,000, or less than 1%, when translating foreign orders to U.S. dollars.

The following table sets forth new orders booked by geographic region for the first quarter ended January 31, 2020 and 2019 (dollars in thousands):

|              | Three Months Ended |           |             |          |
|--------------|--------------------|-----------|-------------|----------|
|              | January 31,        |           |             |          |
|              | 2020               | 2019      | \$ Change   | % Change |
| Americas     | \$ 18,162          | \$ 24,730 | \$ (6,568)  | -27%     |
| Europe       | 21,746             | 33,310    | (11,564)    | -35%     |
| Asia Pacific | 5,672              | 9,967     | (4,295)     | -43%     |
| Total        | \$ 45,580          | \$ 68,007 | \$ (22,427) | -33%     |

Orders in the Americas for the first quarter of fiscal 2020 decreased by 27%, compared to the corresponding period in fiscal 2019, primarily due to decreased customer demand for Hurco, Milltronics and Takumi machines.

European orders for the first quarter of fiscal 2020 decreased by 35%, compared to the corresponding prior year period, and included an unfavorable currency impact of less than 1%, when translating foreign orders to U.S. dollars. The year-over-year decrease in orders was driven primarily by decreased customer demand for Hurco and Takumi machines in Germany and the United Kingdom.

Asian Pacific orders for the first quarter of fiscal 2020 decreased by 43%, compared to the corresponding prior year period, and included a favorable currency impact of less than 1%, when translating foreign orders to U.S. dollars. The year-over-year decrease in Asian Pacific orders was driven primarily by a reduction in customer demand for Hurco machines in China and Southeast Asia.

Gross profit for the first quarter of fiscal 2020 was \$9,159,000, or 21% of sales, compared to \$22,142,000, or 30% of sales, for the corresponding prior year period. The year-over-year decrease in gross profit as a percentage of sales was primarily due to lower sales of higher-priced, higher-performance machines across all sales regions, particularly the European sales region, and competitive pricing pressures on a global basis due to excess inventory levels. Additionally, gross profit was negatively impacted by the allocation of fixed costs on lower sales and production volumes.

Selling, general and administrative expenses for the first quarter of fiscal 2020 were \$10,846,000, or 25% of sales, compared to \$13,914,000, or 19% of sales, in the corresponding period in fiscal 2019, and included a favorable currency impact of \$68,000, when translating foreign expenses to U.S. dollars for financial reporting purposes. The year-over-year reduction in selling, general and administrative expenses was primarily due to a decrease in incentive and variable employee compensation, employee benefits and other operating expense reductions implemented during the first quarter of fiscal 2020, partially offset by increased operating expenses associated with ProCobots LLC, the U.S.-based automation integration business acquired by Hurco in the fourth quarter of fiscal 2019.

The effective tax rate for the first quarter of fiscal 2020 was 40%, compared to 27% in the corresponding prior year period. The year-over-year increase in the effective tax rate was primarily due to a shift in geographic mix of income and loss among tax jurisdictions. The shift in geographic mix of income and loss during the quarter created an unfavorable impact of certain U.S. tax reform provisions in the current fiscal year related to deductions for Foreign Derived Intangible Income and minimal tax provisions for Global Intangible Low-Taxed Income.

Cash and cash equivalents totaled \$52,587,000 at January 31, 2020, compared to \$56,943,000 at October 31, 2019. Working capital was \$202,276,000 at January 31, 2020 compared to \$207,229,000 at October 31, 2019. The decrease in working capital was primarily driven by decreases in accounts receivable and increases in operating lease liabilities, partially offset by decreases in accrued payroll, employee benefits and accounts payables. Pursuant to the adoption of Accounting Standards Update No. 2016-02, "Leases" (Topic 842) right of use assets were all recorded as noncurrent, but the lease liabilities were allocated between current and noncurrent. This created a current liability for operating leases, which resulted in a reduction to our working capital of \$4,151,000 for the three months ended January 31, 2020.

Hurco Companies, Inc. is an international, industrial technology company that sells its three brands of computer numeric control ("CNC") machine tools to the worldwide metal cutting and metal forming industry. Two of the Company's brands of machine tools, Hurco and Milltronics, are equipped with interactive controls that include software that is proprietary to each respective brand. The Company designs these controls and develops the software. The third brand of CNC machine tools, Takumi, is equipped with industrial controls that are produced by third parties, which allows the customer to decide the type of control added to the Takumi CNC machine tool. The Company also produces high-value machine tool components and accessories and provides automation solutions that can be integrated with any machine tool. The end markets for the Company's products are independent job shops, short-run manufacturing operations within large corporations, and manufacturers with production-oriented operations. The Company's customers manufacture precision parts, tools, dies, and/or molds for industries such as aerospace, defense, medical equipment, energy, transportation and computer equipment. The Company is based in Indianapolis, Indiana, with manufacturing operations in Taiwan, Italy, the U.S. and China, and sells its products through direct and indirect sales forces throughout the Americas, Europe, and Asia. The Company has sales, application engineering support and service subsidiaries in China, England, France, Germany, India, Italy, the Netherlands, Poland, Singapore, the U.S., and Taiwan. Web Site: [www.hurco.com](http://www.hurco.com)

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*Certain statements in this news release are forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others, the cyclical nature of the machine tool industry, changes in general economic and business conditions that affect demand for our products, the risks of our international operations, changes in manufacturing markets, fluctuations in foreign currency exchange rates, innovations by competitors, increases in prices of raw materials, the ability to protect our intellectual property, governmental actions and initiatives, including import and export restrictions and tariffs, breaches of our network and system security measures, quality and delivery performance by our vendors, our ability to effectively integrate acquisitions, negative or unforeseen tax consequences, loss of key personnel, failure to comply with data privacy and security regulations, and other risks and uncertainties discussed more fully under the caption "Risk Factors" in our filings with the Securities and Exchange Commission. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

Contact: Sonja K. McClelland  
Executive Vice President, Secretary, Treasurer, & Chief Financial Officer  
317-293-5309

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**Hurco Companies, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

|   | <b>Three Months Ended</b> |                 |
|---|---------------------------|-----------------|
|   | <b>January 31,</b>        |                 |
|   | <b>2020</b>               | <b>2019</b>     |
|   | (unaudited)               |                 |
| Sales and service fees                            | \$ 43,660                 | \$ 74,213       |
| Cost of sales and service                         | 34,501                    | 52,071          |
| <b>Gross profit</b>                               | <b>9,159</b>              | <b>22,142</b>   |
| Selling, general and administrative expenses      | 10,846                    | 13,914          |
| <b>Operating income (loss)</b>                    | <b>(1,687)</b>            | <b>8,228</b>    |
| Interest expense                                  | 18                        | 12              |
| Interest income                                   | 70                        | 82              |
| Investment income                                 | 62                        | 242             |
| Other income, net                                 | 83                        | 567             |
| <b>Income (loss) before taxes</b>                 | <b>(1,490)</b>            | <b>9,107</b>    |
| Provision for income taxes                        | (597)                     | 2,453           |
| <b>Net income (loss)</b>                          | <b>\$ (893)</b>           | <b>\$ 6,654</b> |
| <b>Income (loss) per common share</b>             |                           |                 |
| <b>Basic</b>                                      | <b>\$ (0.13)</b>          | <b>\$ 0.98</b>  |
| <b>Diluted</b>                                    | <b>\$ (0.13)</b>          | <b>\$ 0.97</b>  |
| <b>Weighted average common shares outstanding</b> |                           |                 |
| <b>Basic</b>                                      | <b>6,781</b>              | <b>6,735</b>    |
| <b>Diluted</b>                                    | <b>6,781</b>              | <b>6,807</b>    |
| <b>Dividends per share</b>                        | <b>\$ 0.12</b>            | <b>\$ 0.11</b>  |

| <b>OTHER CONSOLIDATED FINANCIAL DATA</b>         | <b>Three Months Ended</b> |                   |
|--|---------------------------|-------------------|
|  | <b>January 31,</b>        |                   |
|  | <b>2020</b>               | <b>2019</b>       |
|  | (unaudited)               |                   |
| <b>Operating Data:</b>                           |                           |                   |
| Gross margin                                     | 21%                       | 30%               |
| SG&A expense as a percentage of sales            | 25%                       | 19%               |
| Operating income (loss) as a percentage of sales | -4%                       | 11%               |
| Pre-tax income (loss) as a percentage of sales   | -3%                       | 12%               |
| Effective tax rate                               | 40%                       | 27%               |
| Depreciation and amortization                    | \$ 1,105                  | \$ 939            |
| Capital expenditures                             | \$ 449                    | \$ 1,243          |
| <b>Balance Sheet Data:</b>                       | <b>1/31/2020</b>          | <b>10/31/2019</b> |
| Working capital                                  | \$ 202,276                | \$ 207,229        |
| Days sales outstanding (unaudited)               | 60                        | 49                |
| Inventory turns (unaudited)                      | 1.1                       | 1.3               |
| Capitalization                                   |                           |                   |
| Total debt                                       | --                        | --                |
| Shareholders' equity                             | 238,375                   | 240,245           |
| Total  | <b>\$ 238,375</b>         | <b>\$ 240,245</b> |



**Hurco Companies, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)

|   | January 31,<br>2020<br>(unaudited) | October 31,<br>2019 |
|---|------------------------------------|---------------------|
| <b>ASSETS</b>   |                                    |                     |
| <b>Current assets:</b>  |                                    |                     |
| Cash and cash equivalents   | \$ 52,587                          | \$ 56,943           |
| Accounts receivable, net  | 32,133                             | 43,279              |
| Inventories, net  | 150,498                            | 148,851             |
| Derivative assets   | 621                                | 1,391               |
| Prepaid expenses  | 11,608                             | 9,414               |
| Other   | 2,114                              | 1,983               |
| Total current assets  | <u>249,561</u>                     | <u>261,861</u>      |
| <b>Property and equipment:</b>  |                                    |                     |
| Land  | 868                                | 868                 |
| Building  | 7,352                              | 7,352               |
| Machinery and equipment   | 28,843                             | 28,846              |
| Leasehold improvements  | 4,936                              | 4,902               |
|   | <u>41,999</u>                      | <u>41,968</u>       |
| Less accumulated depreciation and amortization  | (28,642)                           | (28,055)            |
| Total property and equipment  | <u>13,357</u>                      | <u>13,913</u>       |
| <b>Non-current assets:</b>  |                                    |                     |
| Software development costs, less accumulated amortization   | 8,216                              | 8,318               |
| Goodwill  | 5,836                              | 5,847               |
| Intangible assets, net  | 781                                | 1,096               |
| Operating lease - right of use assets, net  | 13,208                             | -                   |
| Deferred income taxes   | 1,809                              | 1,846               |
| Investments and other assets, net   | 8,222                              | 8,184               |
| Total non-current assets  | <u>38,072</u>                      | <u>25,291</u>       |
| Total assets  | <u>\$ 300,990</u>                  | <u>\$ 301,065</u>   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                                    |                     |
| <b>Current liabilities:</b>   |                                    |                     |
| Accounts payable  | \$ 29,575                          | \$ 33,969           |
| Derivative liabilities  | 375                                | 388                 |
| Operating lease liabilities   | 4,151                              | -                   |
| Accrued payroll and employee benefits   | 6,347                              | 11,564              |
| Accrued income taxes  | 1,316                              | 1,936               |
| Accrued expenses and other  | 4,050                              | 5,015               |
| Accrued warranty  | 1,471                              | 1,760               |
| Total current liabilities   | <u>47,285</u>                      | <u>54,632</u>       |
| <b>Non-current liabilities:</b>   |                                    |                     |
| Deferred income taxes   | 194                                | 160                 |
| Accrued tax liability   | 2,040                              | 2,036               |
| Operating lease liabilities   | 9,412                              | -                   |
| Deferred credits and other obligations  | 3,684                              | 3,992               |
| Total non-current liabilities   | <u>15,330</u>                      | <u>6,188</u>        |
| <b>Shareholders' equity:</b>  |                                    |                     |
| Preferred stock: no par value per share; 1,000,000 shares authorized; no shares issued  | -                                  | -                   |
| Common stock: no par value; \$.10 stated value per share; 12,500,000 shares authorized; 6,868,950 and 6,824,451 shares issued and 6,803,163 and 6,767,237 shares outstanding, as of January 31, 2020 and October 31, 2019, respectively | 680                                | 677                 |
| Additional paid-in capital  | 65,985                             | 66,350              |
| Retained earnings   | 180,444                            | 182,151             |
| Accumulated other comprehensive loss  | (8,734)                            | (8,933)             |
| Total shareholders' equity  | <u>238,375</u>                     | <u>240,245</u>      |
| Total liabilities and shareholders' equity  | <u>\$ 300,990</u>                  | <u>\$ 301,065</u>   |