

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): September 5, 2023

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	The Nasdaq Stock Market LLC

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 September 8, 2023, Hurco Companies, Inc. (the “Company”) reported its results of operations for the third fiscal quarter and nine months ended July 31, 2023. The Company’s earnings release for those periods 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 99.1 is furnished pursuant to Item 2.02 of Form 8-K.

Item 4.01 Changes in Registrant’s Certifying Accountant.

(a) The Audit Committee (the “Audit Committee”) of the Board of Directors of the Company recently completed a competitive selection process to determine the Company’s independent registered public accounting firm for its 2024 fiscal year, beginning with the quarter ending January 31, 2024. The Audit Committee considered several public accounting firms and, as a result of this process, the Audit Committee approved a change of the Company’s independent registered public accounting firms for its 2024 fiscal year and, on September 5, 2023, notified RSM US LLP (“RSM”), the Company’s current independent registered public accounting firm, of its dismissal as the Company’s independent registered public accounting firm, effective immediately following RSM’s completion of the audit of the Company’s consolidated financial statements for the fiscal year ending October 31, 2023. Upon completion of RSM’s services, the Company will file an amendment to this Current Report on Form 8-K with the specific date of dismissal and an update to the disclosures required by Item 304(a) of Regulation S-K through that date.

The audit reports of RSM on the Company’s consolidated financial statements for the Company’s fiscal years ended October 31, 2021 and 2022, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the Company’s fiscal years ended October 31, 2021 and 2022, and the subsequent interim period through the date of this Current Report on Form 8-K, there were no disagreements (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and related instructions) between the Company and RSM on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of RSM, would have caused RSM to make reference to the subject matter of the disagreements in connection with RSM’s reports on the Company’s financial statements.

During the Company’s fiscal years ended October 31, 2021 and 2022, and the subsequent interim period through the date of this Current Report on Form 8-K, there were no “reportable events” (as defined in Item 304(a)(1)(v) of Regulation S-K).

The Company has provided RSM with a copy of the foregoing disclosures. A letter from RSM stating its agreement with such disclosures is attached as Exhibit 16.1 to this report.

(b) Following the completion of its competitive process noted above, on September 5, 2023, the Audit Committee notified Deloitte & Touche LLP (“Deloitte”) of its formal decision to engage Deloitte as the Company’s independent registered public accounting firm for the fiscal year ending October 31, 2024, effective beginning with the review of the Company’s condensed consolidated financial statements for the fiscal quarter ending January 31, 2024, and subject to completion of Deloitte’s customary client acceptance procedures. During the Company’s fiscal years ended October 31, 2021 and 2022, and the subsequent interim period through the date of this Current Report on Form 8-K, neither the Company nor anyone acting on its behalf consulted Deloitte with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements, and no written report was provided to the Company or oral advice was provided that Deloitte concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and related instructions) or a “reportable event” (as described in Item 304(a)(1)(v) of Regulation S-K).

Item 9.01 Financial Statements and Exhibits.

Exhibit Index

- 16.1** [Letter from RSM US LLP dated September 8, 2023.](#)
 - 99.1** [Press Release of Hurco Companies, Inc., dated September 8, 2023](#)
 - 104** Cover Page Interactive Data File (embedded within the Inline XBRL document)
-

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: September 8, 2023

HURCO COMPANIES, INC.

By: /s/ Sonja K. McClelland
Sonja K. McClelland, Executive Vice President,
Treasurer and Chief Financial Officer

September 8, 2023

Securities and Exchange Commission
Washington, D.C. 20549

Commissioners:

We have read Hurco Companies, Inc.'s statements included under Item 4.01(a) of its Form 8-K filed on September 8, 2023 and we agree with such statements concerning our firm.

/s/ RSM US LLP

**FOR IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 8, 2023**

HURCO REPORTS THIRD QUARTER RESULTS FOR FISCAL YEAR 2023

INDIANAPOLIS, INDIANA – September 8, 2023 -- Hurco Companies, Inc. (Nasdaq: HURC) today reported results for the third fiscal quarter ended July 31, 2023. Hurco recorded net income of \$260,000, or \$0.04 per diluted share, for the third quarter of fiscal year 2023, compared to net income of \$1,238,000, or \$0.18 per diluted share, for the corresponding period in fiscal year 2022. For the nine months of fiscal year 2023, Hurco reported net income of \$1,967,000, or \$0.30 per diluted share, compared to net income of \$6,802,000, or \$1.01 per diluted share, for the corresponding period in fiscal year 2022.

Sales and service fees for the third quarter of fiscal year 2023 were \$53,201,000, a decrease of \$4,439,000, or 8%, compared to the corresponding prior year period, and included a favorable currency impact of \$579,000, or 1%, when translating foreign sales to U.S. dollars for financial reporting purposes. Sales and service fees for the nine months of fiscal year 2023 were \$161,702,000, a decrease of \$25,650,000, or 14%, compared to the corresponding prior year period, and included an unfavorable currency impact of \$4,113,000, or 2%, when translating foreign sales to U.S. dollars for financial reporting purposes.

Greg Volovic, Chief Executive Officer, stated, “This quarter we saw softening conditions in the key machine tool markets in the world (U.S., China, and Germany). In contrast, smaller European markets like Italy, the United Kingdom and France achieved higher sales with the benefit of a strong mix of higher-performance VMX and five-axis machine sales. We experienced improved orders and sales of Milltronics machines in Europe, a market we are focused on growing, and increased sales of electromechanical components and accessories manufactured by LCM. Our highest priority is to focus on reducing inventory levels and generating higher levels of cash flow for the rest of the year as we adjust production to changing levels of demand. We remain patient and poised for the markets to recover with a plan for new products and a strong balance sheet that will allow us to continue our investment in the best technology for our customers.”

The following table sets forth net sales and service fees by geographic region for the third fiscal quarter and nine months ended July 31, 2023, and 2022 (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	July 31,				July 31,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Americas	\$18,272	\$23,736	(\$5,464)	(23)%	\$58,609	\$70,154	(\$11,545)	(16)%
Europe	31,162	28,932	2,230	8%	89,745	93,932	(4,187)	(4)%
Asia Pacific	3,767	4,972	(1,205)	(24)%	13,348	23,266	(9,918)	(43)%
Total	\$53,201	\$57,640	(\$4,439)	(8)%	\$161,702	\$187,352	(\$25,650)	(14)%

Sales in the Americas for the third quarter and nine months of fiscal year 2023 decreased by 23% and 16%, respectively, compared to the corresponding periods in fiscal year 2022, primarily due to decreased shipments of Hurco and Milltronics machines, particularly the higher-performance VMX machines.

European sales for the third quarter of fiscal year 2023 increased by 8%, compared to the corresponding period in fiscal year 2022, and included a favorable currency impact of 2%, when translating foreign sales to U.S. dollars for financial reporting purposes. The increase in European sales was primarily attributable to an increased volume of shipments and improved mix of higher-performance Hurco VMX and five-axis machines in Italy and France, increased European sales of Milltronics machines, and increased sales of electro-mechanical components and accessories manufactured by our wholly owned subsidiary, LCM Precision Technology S.r.l. (“LCM”). Additionally, while the volume of machine sales in the third quarter did not increase year-over-year in the United Kingdom, overall sales in dollars in the U.K. increased due to an improved mix of higher-performance VMX machines.

European sales for the nine months of fiscal year 2023 decreased by 4%, compared to the corresponding period in fiscal year 2022, and included an unfavorable currency impact of 3%, when translating foreign sales to U.S. dollars for financial reporting purposes. The year-over-year decrease in European sales was primarily attributable to a decreased volume of shipments of Hurco machines in Germany, France, and Italy, partially offset by increased sales of higher-performance Hurco VMX machines in the United Kingdom, increased European sales of Milltronics machines, and increased sales of electro-mechanical components and accessories manufactured by LCM.

Asian Pacific sales for the third quarter and nine months of fiscal year 2023 decreased by 24% and 43%, respectively, compared to the corresponding periods in fiscal year 2022, and included an unfavorable currency impact of 3% and 4%, respectively, when translating foreign sales to U.S. dollars for financial reporting purposes. The decreases in Asian Pacific sales in both periods primarily resulted from a reduced volume of shipments of Hurco and Takumi machines in China, Southeast Asia, and India.

Orders for the third quarter of fiscal year 2023 were \$42,082,000, a decrease of \$10,800,000, or 20%, compared to the corresponding period in fiscal year 2022, and included a favorable currency impact of \$1,064,000, or 2%, when translating foreign orders to U.S. dollars. Orders for the nine months of fiscal year 2023 were \$155,535,000, a decrease of \$27,060,000, or 15%, compared to the corresponding period in fiscal year 2022, and included an unfavorable currency impact of \$4,024,000, or 2%, when translating foreign orders to U.S. dollars.

The following table sets forth new orders booked by geographic region for the third fiscal quarter and nine months ended July 31, 2023, and 2022 (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	July 31,				July 31,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Americas	\$14,607	\$21,652	(\$7,045)	(33)%	\$56,548	\$68,189	(\$11,641)	(17)%
Europe	24,752	26,429	(1,677)	(6)%	87,632	94,964	(7,332)	(8)%
Asia Pacific	2,723	4,801	(2,078)	(43)%	11,355	19,442	(8,087)	(42)%
Total	\$42,082	\$52,882	(\$10,800)	(20)%	\$155,535	\$182,595	(\$27,060)	(15)%

Orders in the Americas for the third quarter and nine months of fiscal year 2023 decreased by 33% and 17%, respectively, compared to the corresponding periods in fiscal year 2022. The decreases in orders in both periods were primarily due to decreased customer demand for Hurco and Milltronics machines, particularly higher-performance VMX and five-axis machines.

European orders for the third quarter of fiscal year 2023 decreased by 6%, compared to the corresponding prior year period, and included a favorable currency impact of 4%, when translating foreign orders to U.S. dollars. The decrease in orders was driven primarily by decreased customer demand for Hurco machines in Germany and Italy, partially offset by increased customer demand for Hurco machines in France, Milltronics machines in Europe and electro-mechanical components and accessories manufactured by LCM. Additionally, while the volume of machine orders in the third quarter of fiscal 2023 did not increase year-over-year in the United Kingdom, overall orders in dollars in the U.K. increased due to an improved mix of higher-performance VMX and five-axis machines.

European orders for the nine months of fiscal year 2023 decreased by 8%, compared to the corresponding prior year period, and included an unfavorable currency impact of 4%, when translating foreign orders to U.S. dollars. The decrease in orders was driven primarily by decreased customer demand for Hurco machines in Germany and France, partially offset by increased customer demand for higher-performance Hurco VMX machines in the United Kingdom and Italy, and for electro-mechanical components and accessories manufactured by LCM.

Asian Pacific orders for the third quarter and nine months of fiscal year 2023 decreased by 43% and 42%, respectively, compared to the corresponding prior year periods, and included an unfavorable currency impact of less than 1% and 3%, respectively, when translating foreign orders to U.S. dollars. The reduction in Asian Pacific orders in both periods was driven primarily by a decrease in customer demand for Hurco and Takumi machines in China, India, and Southeast Asia.

Gross profit for the third quarter of fiscal year 2023 was \$13,448,000, or 25% of sales, compared to \$14,399,000, or 25% of sales, for the corresponding prior year period. Gross profit for the nine months of fiscal year 2023 was \$38,749,000, or 24% of sales, compared to \$46,908,000, or 25% of sales, for the corresponding prior year period. The year-over-year decreases in gross profit in both periods were primarily due to the lower volume of sales of vertical milling machines and the negative impact of fixed costs on lower sales and production volumes. Gross profit as a percentage of sales for the third quarter and nine months of fiscal 2023 was relatively unchanged year-over-year despite the reduced volume, as sales reflected an increased mix of higher-performance VMX and five-axis machines sold in Europe.

Selling, general, and administrative expenses for the third quarter of fiscal year 2023 were \$12,436,000, or 23% of sales, compared to \$12,647,000, or 22% of sales, in the corresponding fiscal year 2022 period, and included an unfavorable currency impact of \$81,000, when translating foreign expenses to U.S. dollars for financial reporting purposes. Selling, general, and administrative expenses for the nine months of fiscal year 2023 were \$35,512,000, or 22% of sales, compared to \$36,859,000, or 20% of sales, in the corresponding fiscal year 2022 period, and included a favorable currency impact of \$739,000, when translating foreign expenses to U.S. dollars for financial reporting purposes. The year-over-year decreases in selling, general and administrative expenses in absolute dollar terms in both periods were primarily attributable to lower costs related to sales commissions, marketing and tradeshow expenses, and employee support costs for the global operations.

The effective tax rates for the third quarter and nine months of fiscal year 2023 were 60% and 40%, respectively, compared to 28% and 31% in each of the respective corresponding prior year periods. The year-over-year increases in the effective tax rates were primarily due to changes in geographic mix of income and loss that includes jurisdictions with differing tax rates, discrete items related to stock compensation and the impact of valuation allowances for our China operations combined with lower levels of consolidated income before taxes.

Cash and cash equivalents totaled \$41,030,000 at July 31, 2023, compared to \$63,922,000 at October 31, 2022. Working capital was \$198,120,000 at July 31, 2023, compared to \$194,733,000 at October 31, 2022. The increase in working capital was primarily driven by increases in inventories, net and prepaid and other assets and decreases in accounts payable and accrued payroll and employee benefits, partially offset by decreases in cash and cash equivalents and accounts receivable, net.

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, the Czech Republic, England, France, Germany, India, Italy, the Netherlands, Poland, Singapore, the U.S., and Taiwan. Web Site: www.hurco.com

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; uncertain economic conditions, which may adversely affect overall demand, in the Americas, Europe and Asia Pacific markets; the risks of our international operations; governmental actions, initiatives and regulations, including import and export restrictions, duties and tariffs and changes to tax laws; the effects of changes in currency exchange rates; competition with larger companies that have greater financial resources; our dependence on new product development; the need and/or ability to protect our intellectual property assets; the limited number of our manufacturing and supply chain sources; increases in the prices of raw materials, especially steel and iron products; the effect of the loss of members of senior management and key personnel; our ability to integrate acquisitions; acquisitions that could disrupt our operations and affect operating results; failure to comply with data privacy and security regulations; breaches of our network and system security measures; possible obsolescence of our technology and the need to make technological advances; impairment of our assets; negative or unforeseen tax consequences; uncertainty concerning our ability to use tax loss carryforwards; changes in the SOFR rate; the impact of the COVID-19 pandemic and other public health epidemics and pandemics on the global economy, our business and operations, our employees and the business, operations and economies of our customers and suppliers; 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, Treasurer, & Chief Financial Officer
317-293-5309

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

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Sales and service fees	\$ 53,201	\$ 57,640	\$ 161,702	\$ 187,352
Cost of sales and service	39,753	43,241	122,953	140,444
Gross profit	13,448	14,399	38,749	46,908
Selling, general and administrative expenses	12,436	12,647	35,512	36,859
Operating income	1,012	1,752	3,237	10,049
Interest expense	88	9	159	22
Interest income	122	16	259	69
Investment income (loss), net	11	(11)	47	170
Other income (expense), net	(412)	(22)	(131)	(440)
Income before taxes	645	1,726	3,253	9,826
Provision for income taxes	385	488	1,286	3,024
Net income	\$ 260	\$ 1,238	\$ 1,967	\$ 6,802
Income per common share				
Basic	\$ 0.04	\$ 0.19	\$ 0.30	\$ 1.02
Diluted	\$ 0.04	\$ 0.18	\$ 0.30	\$ 1.01
Weighted average common shares outstanding				
Basic	6,462	6,567	6,511	6,585
Diluted	6,469	6,629	6,538	6,637
Dividends per share	\$ 0.16	\$ 0.15	\$ 0.47	\$ 0.44

OTHER CONSOLIDATED FINANCIAL DATA

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Operating Data:				
Gross margin	25%	25%	24%	25%
SG&A expense as a percentage of sales	23%	22%	22%	20%
Operating income as a percentage of sales	2%	3%	2%	5%
Pre-tax income as a percentage of sales	1%	3%	2%	5%
Effective tax rate	60%	28%	40%	31%
Depreciation and amortization	\$ 1,037	\$ 1,049	\$ 3,141	\$ 2,956
Capital expenditures	\$ 345	\$ 522	\$ 1,751	\$ 1,628
Balance Sheet Data:				
	7/31/2023	10/31/2022		
Working capital	\$ 198,120	\$ 194,733		
Days sales outstanding	54	38		
Inventory turns	1.0	1.2		
Capitalization				
Total debt	--	--		
Shareholders' equity	225,801	222,644		
Total	\$ 225,801	\$ 222,644		

Hurco Companies, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	July 31, 2023 (unaudited)	October 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 41,030	\$ 63,922
Accounts receivable, net	33,281	38,444
Inventories, net	178,423	156,207
Derivative assets	169	2,515
Prepaid and other assets	9,060	6,981
Total current assets	<u>261,963</u>	<u>268,069</u>
Property and equipment:		
Land	1,046	868
Building	7,392	7,352
Machinery and equipment	27,940	26,532
Leasehold improvements	4,638	4,351
	41,016	39,103
Less accumulated depreciation and amortization	<u>(33,119)</u>	<u>(30,620)</u>
Total property and equipment, net	<u>7,897</u>	<u>8,483</u>
Non-current assets:		
Software development costs, less accumulated amortization	7,085	7,302
Intangible assets, net	1,071	1,246
Operating lease - right of use assets, net	10,921	8,460
Deferred income taxes	4,305	3,442
Investments and other assets, net	9,975	9,235
Total non-current assets	<u>33,357</u>	<u>29,685</u>
Total assets	<u>\$ 303,217</u>	<u>\$ 306,237</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 36,338	\$ 40,707
Customer deposits	5,502	4,839
Derivative liabilities	2,603	3,632
Operating lease liabilities	3,945	3,973
Accrued payroll and employee benefits	8,331	10,751
Accrued income taxes	1,545	2,611
Accrued expenses	4,261	5,397
Accrued warranty expenses	1,318	1,426
Total current liabilities	<u>63,843</u>	<u>73,336</u>
Non-current liabilities:		
Deferred income taxes	88	67
Accrued tax liability	1,290	1,281
Operating lease liabilities	7,342	4,814
Deferred credits and other	4,853	4,095
Total non-current liabilities	<u>13,573</u>	<u>10,257</u>
Shareholders' equity:		
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; 6,553,673 and 6,645,352 shares issued and 6,462,138 and 6,566,994 shares outstanding, as of July 31, 2023 and October 31, 2022, respectively	646	657
Additional paid-in capital	61,274	63,635
Retained earnings	178,751	179,877
Accumulated other comprehensive loss	<u>(14,870)</u>	<u>(21,525)</u>
Total shareholders' equity	<u>225,801</u>	<u>222,644</u>
Total liabilities and shareholders' equity	<u>\$ 303,217</u>	<u>\$ 306,237</u>