

RICHARDSON ELECTRONICS LTD/DE
Form 10-Q
April 11, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 2, 2019

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: 0-12906

RICHARDSON ELECTRONICS, LTD.

(Exact name of registrant as specified in its charter)

Delaware 36-2096643
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

40W267 Keslinger Road, P.O. Box 393

LaFox, Illinois 60147-0393

(Address of principal executive offices)

Registrant's telephone number, including area code: (630) 208-2200

Indicate by check mark 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller Reporting Company
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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 9, 2019, there were outstanding 10,956,852 shares of Common Stock, \$0.05 par value and 2,096,919 shares of Class B Common Stock, \$0.05 par value, which are convertible into Common Stock of the registrant on a share for share basis.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Richardson Electronics, Ltd.

Consolidated Balance Sheets

(in thousands, except per share amounts)

	Unaudited March 2, 2019	Audited June 2, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,869	\$ 60,465
Accounts receivable, less allowance of \$422 and \$309, respectively	23,102	22,892
Inventories, net	53,094	50,720
Prepaid expenses and other assets	3,365	3,747
Investments - current	15,500	—
Total current assets	128,930	137,824
Non-current assets:		
Property, plant and equipment, net	19,316	18,232
Goodwill	6,332	6,332
Intangible assets, net	2,829	3,014
Non-current deferred income taxes	641	927
Total non-current assets	29,118	28,505
Total assets	\$ 158,048	\$ 166,329
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 14,052	\$ 19,603
Accrued liabilities	11,292	10,343
Total current liabilities	25,344	29,946
Non-current liabilities:		
Non-current deferred income tax liabilities	281	281
Other non-current liabilities	948	921
Total non-current liabilities	1,229	1,202
Total liabilities	26,573	31,148
Stockholders' equity		
Common stock, \$0.05 par value; issued and outstanding 10,956 shares at March 2,		
2019 and 10,806 shares at June 2, 2018	547	540
Class B common stock, convertible, \$0.05 par value; issued and outstanding 2,097		
shares at March 2, 2019 and 2,137 shares at June 2, 2018	105	107
Preferred stock, \$1.00 par value, no shares issued	—	—
Additional paid-in-capital	60,846	60,061
Common stock in treasury, at cost, no shares at March 2, 2019 and June 2, 2018	—	—
Retained earnings	66,851	70,107
Accumulated other comprehensive income	3,126	4,366

Total stockholders' equity	131,475	135,181
Total liabilities and stockholders' equity	\$ 158,048	\$ 166,329

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Richardson Electronics, Ltd.

Unaudited Consolidated Statements of Comprehensive (Loss) Income

(in thousands, except per share amounts)

	Three Months		Nine Months Ended	
	Ended March 2, 2019	March 3, 2018	March 2, 2019	March 3, 2018
Statements of Comprehensive (Loss) Income				
Net sales	\$39,018	\$41,645	\$124,489	\$117,722
Cost of sales	26,719	27,578	85,266	78,133
Gross profit	12,299	14,067	39,223	39,589
Selling, general and administrative expenses	13,097	13,097	39,621	38,023
Loss (gain) on disposal of assets	—	3	—	(188)
Operating (loss) income	(798)	967	(398)	1,754
Other (income) expense:				
Investment/interest income	(155)	(208)	(402)	(378)
Foreign exchange loss	130	159	205	475
Other, net	—	1	(4)	(14)
Total other (income) expense	(25)	(48)	(201)	83
(Loss) income from continuing operations before income taxes	(773)	1,015	(197)	1,671
Income tax provision	305	488	754	1,084
(Loss) income from continuing operations	(1,078)	527	(951)	587
Income from discontinued operations	—	—	—	1,496
Net (loss) income	(1,078)	527	(951)	2,083
Foreign currency translation gain (loss), net of tax	541	1,646	(1,240)	3,997
Fair value adjustments on investments loss	—	(164)	—	(130)
Comprehensive (loss) income	\$(537)	\$2,009	\$(2,191)	\$5,950
Net (loss) income per Common share - Basic:				
(Loss) income from continuing operations	\$(0.08)	\$0.04	\$(0.07)	\$0.05
Income from discontinued operations	—	—	—	0.12
Total net (loss) income per Common share - Basic	\$(0.08)	\$0.04	\$(0.07)	\$0.17
Net (loss) income per Class B common share - Basic:				
(Loss) income from continuing operations	\$(0.08)	\$0.04	\$(0.07)	\$0.04
Income from discontinued operations	—	—	—	0.11
Total net (loss) income per Class B common share - Basic	\$(0.08)	\$0.04	\$(0.07)	\$0.15
Net (loss) income per Common share - Diluted:				
(Loss) income from continuing operations	\$(0.08)	\$0.04	\$(0.07)	\$0.05
Income from discontinued operations	—	—	—	0.12
Total net (loss) income per Common share - Diluted	\$(0.08)	\$0.04	\$(0.07)	\$0.17
Net (loss) income per Class B common share - Diluted:				
(Loss) income from continuing operations	\$(0.08)	\$0.04	\$(0.07)	\$0.04
Income from discontinued operations	—	—	—	0.11
Total net (loss) income per Class B common share - Diluted	\$(0.08)	\$0.04	\$(0.07)	\$0.15
Weighted average number of shares:				

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Common shares – Basic	10,953	10,792	10,911	10,753
Class B common shares – Basic	2,097	2,137	2,108	2,137
Common shares – Diluted	10,953	10,872	10,911	10,793
Class B common shares – Diluted	2,097	2,137	2,108	2,137
Dividends per common share	\$0.060	\$0.060	\$0.180	\$0.180
Dividends per Class B common share	\$0.054	\$0.054	\$0.162	\$0.162

Richardson Electronics, Ltd.

Unaudited Consolidated Statements of Cash Flows

(in thousands)

	Three Months Ended March 2, March 2019 3, 2018		Nine Months Ended March 2, March 2019 3, 2018	
Operating activities:				
Net (loss) income	\$(1,078)	\$527	\$(951)	\$2,083
Adjustments to reconcile net (loss) income to cash (used in)				
provided by operating activities:				
Depreciation and amortization	794	752	2,350	2,219
Inventory provisions	203	183	568	470
Gain on sale of investments	—	(159)	—	(183)
Loss (gain) on disposal of assets	—	3	—	(188)
Share-based compensation expense	176	116	571	425
Deferred income taxes	113	124	268	186
Change in assets and liabilities:				
Accounts receivable	(478)	(551)	(576)	(239)
Inventories	(1,484)	(598)	(3,315)	(5,232)
Prepaid expenses and other assets	614	43	332	(572)
Accounts payable	(1,561)	552	(5,442)	(446)
Accrued liabilities	309	1,116	880	1,325
Other	(86)	(137)	88	(140)
Net cash (used in) provided by operating activities	(2,478)	1,971	(5,227)	(292)
Investing activities:				
Capital expenditures	(974)	(1,461)	(3,166)	(4,196)
Proceeds from sale of assets	—	—	—	276
Proceeds from maturity of investments	2,300	3,943	2,300	12,120
Purchases of investments	(12,500)	—	(17,800)	(3,943)
Proceeds from sales of available-for-sale securities	—	648	—	913
Purchases of available-for-sale securities	—	—	—	—