

RICHARDSON ELECTRONICS LTD/DE
Form 10-Q
October 11, 2018

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 September 1, 2018

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 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, 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. (Check one):

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 October 9, 2018, there were outstanding 10,951,101 shares of Common Stock, \$0.05 par value and 2,096,419 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 September 1, 2018	Audited June 2, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,478	\$ 60,465
Accounts receivable, less allowance of \$315 and \$309, respectively	22,885	22,892
Inventories, net	50,267	50,720
Prepaid expenses and other assets	3,691	3,747
Investments - current	2,300	—
Total current assets	131,621	137,824
Non-current assets:		
Property, plant and equipment, net	18,975	18,232
Goodwill	6,332	6,332
Intangible assets, net	2,949	3,014
Non-current deferred income taxes	855	927
Total non-current assets	29,111	28,505
Total assets	\$ 160,732	\$ 166,329
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 14,145	\$ 19,603
Accrued liabilities	10,917	10,343
Total current liabilities	25,062	29,946
Non-current liabilities:		
Non-current deferred income tax liabilities	281	281
Other non-current liabilities	924	921
Total non-current liabilities	1,205	1,202
Total liabilities	26,267	31,148
Stockholders' equity		
Common stock, \$0.05 par value; issued and outstanding 10,951 shares at September 1, 2018 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 September 1, 2018 and 2,137 shares at June 2, 2018	105	107
Preferred stock, \$1.00 par value, no shares issued	—	—
Additional paid-in-capital	60,413	60,061
Common stock in treasury, at cost, no shares at September 1, 2018 and June 2, 2018	—	—
Retained earnings	69,774	70,107
Accumulated other comprehensive income	3,626	4,366

Total stockholders' equity	134,465	135,181
Total liabilities and stockholders' equity	\$ 160,732	\$ 166,329

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Richardson Electronics, Ltd.

Unaudited Consolidated Statements of Comprehensive (Loss) Income

(in thousands, except per share amounts)

	Three Months Ended	
	September	September
	1, 2018	2, 2017
Statements of Comprehensive (Loss) Income		
Net sales	\$44,157	\$ 36,995
Cost of sales	30,204	24,847
Gross profit	13,953	12,148
Selling, general and administrative expenses	13,099	12,324
Gain on disposal of assets	—	(191)
Operating income	854	15
Other (income) expense:		
Investment/interest income	(126)	(134)
Foreign exchange loss	286	201
Other, net	(8)	(4)
Total other expense	152	63
Income (loss) before income taxes	702	(48)
Income tax provision	271	64
Net income (loss)	431	(112)
Foreign currency translation (loss) gain, net of tax	(740)	2,121
Fair value adjustments on investments loss	—	(14)
Comprehensive (loss) income	\$(309)	\$ 1,995
Net income (loss) per share:		
Common shares - Basic	\$0.03	\$ (0.01)
Class B common shares - Basic	\$0.03	\$ (0.01)
Common shares – Diluted	\$0.03	\$ (0.01)
Class B common shares - Diluted	\$0.03	\$ (0.01)
Weighted average number of shares:		
Common shares – Basic	10,829	10,712
Class B common shares – Basic	2,132	2,137
Common shares – Diluted	10,982	10,712
Class B common shares – Diluted	2,132	2,137
Dividends per common share	\$0.060	\$ 0.060
Dividends per Class B common share	\$0.054	\$ 0.054

Richardson Electronics, Ltd.

Unaudited Consolidated Statements of Cash Flows

(in thousands)

	Three Months Ended	
	September 1, 2018	September 2, 2017
Operating activities:		
Net income (loss)	\$431	\$ (112)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation and amortization	764	732
Inventory provisions	215	162
Gain on sale of investments	—	(25)
Gain on disposal of assets	—	(191)
Share-based compensation expense	165	101
Deferred income taxes	58	(4)
Change in assets and liabilities:		
Accounts receivable	(198)	2,047
Inventories	77	(2,613)
Prepaid expenses and other assets	37	(258)
Accounts payable	(5,419)	(2,755)
Accrued liabilities	227	726
Other	13	(267)
Net cash used in operating activities	(3,630)	(2,457)
Investing activities:		
Capital expenditures	(1,072)	(1,015)
Proceeds from sale of assets	—	276
Proceeds from maturity of investments	—	4,000
Purchases of investments	(2,300)	—
Proceeds from sales of available-for-sale securities	—	151
Purchases of available-for-sale securities	—	(151)
Other	—	(3)
Net cash (used in) provided by investing activities		