

TESSCO TECHNOLOGIES INC

Form 10-Q

November 04, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 25, 2016

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: 001-33938

TESSCO Technologies Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

52-0729657
(I.R.S Employer

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incorporation or organization) Identification
No.)

11126 McCormick Road, Hunt Valley, Maryland 21031
(Address of principal executive offices) (Zip Code)

(410) 229-1000

(Registrant's telephone number, including area code)

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 submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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.

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

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The number of shares of the registrant's Common Stock, \$0.01 par value per share, outstanding as of October 28, 2016, was 8,332,089.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

TESSCO Technologies Incorporated

Consolidated Balance Sheets

	September 25, 2016 (unaudited)	March 27, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,754,800	\$ 16,882,800
Trade accounts receivable, net of allowance for doubtful accounts of \$928,200 and \$841,400, respectively	70,595,000	58,315,700
Product inventory, net	72,251,900	53,903,900
Prepaid expenses and other current assets	5,594,700	5,917,100
Total current assets	159,196,400	135,019,500
Property and equipment, net	18,810,400	19,895,400
Goodwill, net	11,684,700	11,684,700
Deferred tax assets	—	—
Other long-term assets	2,969,400	2,816,400
Total assets	\$ 192,660,900	\$ 169,416,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 69,843,600	\$ 41,986,000
Payroll, benefits and taxes	5,094,400	4,927,900
Income and sales tax liabilities	1,187,200	1,456,800
Accrued expenses and other current liabilities	3,659,300	3,874,100
Revolving line of credit	—	—
Current portion of long-term debt	26,500	251,100
Total current liabilities	79,811,000	52,495,900
Deferred tax liabilities	364,900	379,400
Long-term debt, net of current portion	43,000	1,706,500
Other long-term liabilities	1,990,700	2,306,900
Total liabilities	82,209,600	56,888,700

Shareholders' equity:

Preferred stock, \$0.01 par value, 500,000 shares authorized and no shares issued and outstanding	—	—
Common stock \$0.01 par value, 15,000,000 shares authorized, 14,027,934 shares issued and 8,317,551 shares outstanding as of September 25, 2016, and 13,970,394 shares issued and 8,272,124 shares outstanding as of March 27, 2016	98,200	97,600
Additional paid-in capital	58,473,800	58,113,800
Treasury stock, at cost, 5,710,383 shares outstanding as of September 25, 2016 and 5,698,270 shares outstanding as of March 27, 2016	(57,432,800)	(57,245,200)
Retained earnings	109,312,100	111,561,100
Total shareholders' equity	110,451,300	112,527,300
Total liabilities and shareholders' equity	\$ 192,660,900	\$ 169,416,000

See accompanying notes.

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TESSCO Technologies Incorporated

Unaudited Consolidated Statements of Income

	Fiscal Quarters Ended		Six Months Ended	
	September 25, 2015	September 27, 2015	September 25, 2015	September 27, 2015
Revenues	\$ 134,633,800	\$ 142,353,300	\$ 263,493,800	\$ 277,017,300
Cost of goods sold	105,878,200	111,841,600	207,632,200	217,523,700
Gross profit	28,755,600	30,511,700	55,861,600	59,493,600
Selling, general and administrative expenses	26,709,500	25,865,400	53,665,200	51,987,800
Income from operations	2,046,100	4,646,300	2,196,400	7,505,800
Interest expense, net	17,200	47,100	28,600	93,400
Income before provision for income taxes	2,028,900	4,599,200	2,167,800	7,412,400
Provision for income taxes	1,034,700	1,850,900	1,093,100	2,968,800
Net income	\$ 994,200	\$ 2,748,300	\$ 1,074,700	\$ 4,443,600
Basic earnings per share	\$ 0.12	\$ 0.33	\$ 0.13	\$ 0.54
Diluted earnings per share	\$ 0.12	\$ 0.33	\$ 0.13	\$ 0.54
Basic weighted-average common shares outstanding	8,310,300	8,238,065	8,300,000	8,218,905
Effect of dilutive options	13,900	32,130	20,900	40,573
Diluted weighted-average common shares outstanding	8,324,200	8,270,195	8,320,900	8,259,478
Cash dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40

See accompanying notes.

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TESSCO Technologies Incorporated

Unaudited Consolidated Statements of Cash Flows

	Six Months Ended	
	September 25, 2016	September 27, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,074,700	\$ 4,443,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,275,600	2,338,500
Non-cash stock-based compensation expense	192,400	399,700
Deferred income taxes and other	(370,300)	(287,500)
Change in trade accounts receivable	(12,279,300)	(6,592,600)
Change in product inventory	(18,348,000)	(2,736,100)
Change in prepaid expenses and other current assets	322,400	4,000,400
Change in trade accounts payable	27,857,600	4,644,800
Change in payroll, benefits and taxes	166,500	633,300
Change in income and sales tax liabilities	(338,800)	384,700
Change in accrued expenses and other current liabilities	(45,700)	(3,365,500)
Net cash provided by operating activities	507,100	3,863,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,190,600)	(1,753,800)
Net cash used in investing activities	(1,190,600)	(1,753,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of debt issuance costs	(113,400)	—
Payments on long-term debt	(1,888,100)	(125,400)
Proceeds from issuance of stock	68,300	81,200
Cash dividends paid	(3,323,700)	(3,306,100)
Purchases of treasury stock and repurchases of common stock from employees and directors for minimum tax withholdings	(187,600)	(826,900)
Excess tax benefit from stock-based compensation	—	510,400
Net cash used in financing activities	(5,444,500)	(3,666,800)
Net decrease in cash and cash equivalents		