

RICHARDSON ELECTRONICS LTD/DE
Form 10-Q
January 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 December 2, 2017

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

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 January 9, 2018, there were outstanding 10,789,544 shares of Common Stock, \$0.05 par value and 2,136,919 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 December 2, 2017 | Audited May 27, 2017 |
|--|-------------------------------------|----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 54,453 | \$ 55,327 |
| Accounts receivable, less allowance of \$373 and \$398, respectively | 21,016 | 20,782 |
| Inventories, net | 48,059 | 42,749 |
| Prepaid expenses and other assets | 3,729 | 3,070 |
| Investments - current | 4,136 | 6,429 |
| Total current assets | 131,393 | 128,357 |
| Non-current assets: | | |
| Property, plant and equipment, net | 17,275 | 15,813 |
| Goodwill | 6,332 | 6,332 |
| Intangible assets, net | 3,231 | 3,441 |
| Non-current deferred income taxes | 1,069 | 1,102 |
| Investments - non-current | 686 | 2,419 |
| Total non-current assets | 28,593 | 29,107 |
| Total assets | \$ 159,986 | \$ 157,464 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,224 | \$ 15,933 |
| Accrued liabilities | 8,645 | 8,311 |
| Total current liabilities | 23,869 | 24,244 |
| Non-current liabilities: | | |
| Non-current deferred income tax liabilities | 158 | 158 |
| Other non-current liabilities | 903 | 735 |
| Total non-current liabilities | 1,061 | 893 |
| Total liabilities | 24,930 | 25,137 |
| Stockholders' equity | | |
| Common stock, \$0.05 par value; issued and outstanding 10,790 shares at December 2, 2017 and 10,712 shares at May 27, 2017 | 535 | 535 |
| Class B common stock, convertible, \$0.05 par value; issued and outstanding 2,137 shares at December 2, 2017 and at May 27, 2017 | 107 | 107 |
| Preferred stock, \$1.00 par value, no shares issued | — | — |
| Additional paid-in-capital | 59,745 | 59,436 |

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| | | |
|--|------------|------------|
| Common stock in treasury, at cost, no shares at December 2, 2017 and at May 27, 2017 | — | — |
| Retained earnings | 69,368 | 69,333 |
| Accumulated other comprehensive income | 5,301 | 2,916 |
| Total stockholders' equity | 135,056 | 132,327 |
| Total liabilities and stockholders' equity | \$ 159,986 | \$ 157,464 |

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Richardson Electronics, Ltd.**Unaudited Consolidated Statements of Comprehensive Income (Loss)***(in thousands, except per share amounts)*

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|------------------|-------------------|
| | December 2, 2017 | November 26, 2016 | December 2, 2017 | November 26, 2016 |
| Statements of Comprehensive Income (Loss) | | | | |
| Net sales | \$39,082 | \$ 33,827 | \$76,077 | \$ 67,200 |
| Cost of sales | 25,708 | 22,863 | 50,555 | 45,996 |
| Gross profit | 13,374 | 10,964 | 25,522 | 21,204 |
| Selling, general and administrative expenses | 12,602 | 13,368 | 24,926 | 25,695 |
| Gain on disposal of assets | — | — | (191) | — |
| Operating income (loss) | 772 | (2,404) | 787 | (4,491) |
| Other (income) expense: | | | | |
| Investment/interest income | (36) | (51) | (170) | (62) |
| Foreign exchange loss (gain) | 115 | (181) | 316 | 97 |
| Other, net | (11) | 17 | (15) | 16 |
| Total other expense (income) | 68 | (215) | 131 | 51 |
| Income (loss) from continuing operations before income taxes | 704 | (2,189) | 656 | (4,542) |
| Income tax provision | 532 | 333 | 596 | 830 |
| Income (loss) from continuing operations | 172 | (2,522) | 60 | (5,372) |
| Income from discontinued operations | 1,496 | — | 1,496 | — |
| Net income (loss) | 1,668 | (2,522) | 1,556 | (5,372) |
| Foreign currency translation gain (loss), net of tax | 230 | (2,623) | 2,351 | (2,244) |
| Fair value adjustments on investments gain | 48 | 6 | 34 | 13 |
| Comprehensive income (loss) | \$1,946 | \$ (5,139) | \$3,941 | \$ (7,603) |
| Net income (loss) per Common share - Basic: | | | | |
| Income (loss) from continuing operations | \$0.01 | \$ (0.20) | \$— | \$ (0.43) |
| Income from discontinued operations | 0.12 | — | 0.12 | — |
| Total net income (loss) per Common share - Basic | \$0.13 | \$ (0.20) | \$0.12 | \$ (0.43) |
| Net income (loss) per Class B common share - Basic: | | | | |
| Income (loss) from continuing operations | \$0.01 | \$ (0.18) | \$— | \$ (0.38) |
| Income from discontinued operations | 0.11 | — | 0.11 | — |
| Total net income (loss) per Class B common share - Basic | \$0.12 | \$ (0.18) | \$0.11 | \$ (0.38) |
| Net income (loss) per Common share - Diluted: | | | | |
| Income (loss) from continuing operations | \$0.01 | \$ (0.20) | \$— | \$ (0.43) |
| Income from discontinued operations | 0.12 | — | 0.12 | — |
| Total net income (loss) per Common share - Diluted | \$0.13 | \$ (0.20) | \$0.12 | \$ (0.43) |
| Net income (loss) per Class B common share - Diluted: | | | | |
| Income (loss) from continuing operations | \$0.01 | \$ (0.18) | \$— | \$ (0.38) |

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| | | | | |
|--|---------|------------|---------|------------|
| Income from discontinued operations | 0.11 | — | 0.11 | — |
| Total net income (loss) per Class B common share - Diluted | \$0.12 | \$ (0.18) | \$0.11 | \$ (0.38) |
| Weighted average number of shares: | | | | |
| Common shares – Basic | 10,755 | 10,703 | 10,734 | 10,703 |
| Class B common shares – Basic | 2,137 | 2,141 | 2,137 | 2,141 |
| Common shares – Diluted | 10,789 | 10,703 | 10,764 | 10,703 |
| Class B common shares – Diluted | 2,137 | 2,141 | 2,137 | 2,141 |
| Dividends per common share | \$0.060 | \$ 0.060 | \$0.120 | \$ 0.120 |
| Dividends per Class B common share | \$0.054 | \$ 0.054 | \$0.108 | \$ 0.108 |

