PARK ELECTROCHEMICAL CORP
Form 10-Q
October 06, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 27, 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 1-4415

PARK ELECTROCHEMICAL CORP.

(Exact Name of Registrant as Specified in Its Charter)

___________ 11-1734643

New

York

(State or Other
Jurisdiction of (I.R.S. Employer

Incorporation or Identification No.)
Organization)

48 South Service Road, Melville, N.Y. **11747**
(Address of Principal Executive Offices) (Zip Code)

(631) 465-3600

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year,

if Changed Since Last Report)

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 [X] 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 definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ] Accelerated Filer [X] 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 [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 20,237,446 as of October 4, 2017.

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

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Item I. Financial Statements.

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	August 27, 2017 (unaudited)	February 26, 2017*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,191	$ 102,438
Marketable securities (Note 3)	202,873	136,152
Accounts receivable, less allowance for doubtful accounts of $285 and $294, respectively	21,182	17,238
Inventories (Note 4)	11,919	11,105
Prepaid expenses and other current assets	2,582	2,197
Total current assets	**268,747**	**269,130**
Property, plant and equipment, net	17,616	18,638
Goodwill and other intangible assets	9,825	9,825
Restricted cash (Note 5)	10,000	10,000
Other assets	1,956	985
Total assets	**$ 308,144**	**$ 308,578**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	$ 3,250	$ 3,500
Accounts payable	5,444	4,183
Accrued liabilities	7,062	3,417
Income taxes payable	1,891	3,023
Total current liabilities	**17,647**	**14,123**
Long-term debt (Note 5)	67,000	68,500
Deferred income taxes (Note 9)	42,088	42,088
Other liabilities	302	1,041
Total liabilities	**127,037**	**125,752**

Commitments and contingencies (Note 11)

Shareholders' equity (Note 8):		
Common stock	2,096	2,096
Additional paid-in capital	168,071	167,612
Retained earnings	24,979	27,112
Accumulated other comprehensive earnings	924	1,026
	196,070	**197,846**
Less treasury stock, at cost	(14,963)	(15,020)
Total shareholders' equity	**181,107**	**182,826**
Total liabilities and shareholders' equity	**$ 308,144**	**$ 308,578**

*The balance sheet at February 26, 2017 has been derived from the audited financial statements at that date.

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

	13 Weeks Ended (Unaudited)		**26 Weeks Ended (Unaudited)**	
	August 27, 2017	**August 28, 2016**	**August 27, 2017**	**August 28, 2016**
Net sales	$29,836	$29,058	$57,253	$60,548
Cost of sales	22,659	21,824	43,754	44,527
Gross profit	**7,177**	**7,234**	**13,499**	**16,021**
Selling, general and administrative expenses	4,443	5,110	9,170	10,447
Restructuring charges (Note 6)	2,902	23	4,263	93
(Loss) Earnings from operations	**(168)**	**2,101**	**66**	**5,481**
Interest expense (Note 5)	603	334	1,113	667
Interest and other income	751	369	1,500	747
(Loss) Earnings before income taxes	**(20)**	**2,136**	**453**	**5,561**
Income tax (benefit) provision (Note 9)	(540)	155	(1,461)	630
Net earnings	**$520**	**$1,981**	**$1,914**	**$4,931**
Earnings per share (Note 7):				
Basic earnings per share	$0.03	$0.10	$0.09	$0.24
Basic weighted average shares	20,236	20,235	20,236	20,235
Diluted earnings per share	$0.03	$0.10	$0.09	$0.24
Diluted weighted average shares	20,250	20,235	20,247	20,235
Dividends declared per share	$0.10	$0.10	$0.20	$0.20

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(Amounts in thousands)

	13 Weeks Ended (Unaudited)		**26 Weeks Ended (Unaudited)**	
	August 27, 2017	**August 28, 2016**	**August 27, 2017**	**August 28, 2016**
Net earnings	$520	$1,981	$1,914	$4,931
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation	72	26	41	5
Unrealized gains on marketable securities:				
Unrealized holding gains arising during the period	21	11	24	11
Less: reclassification adjustment for gains included in net earnings	(27)	-	(96)	(55)
Unrealized losses on marketable securities:				
Unrealized holding losses arising during the period	-	(45)	(117)	(69)
Less: reclassification adjustment for losses included in net earnings	22	19	46	34
Other comprehensive earnings (loss)	88	11	(102)	(74)
Total comprehensive earnings	**$608**	**$1,992**	**$1,812**	**$4,857**

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	26 Weeks Ended (Unaudited)	
	August 27, 2017	**August 28, 2016**
Cash flows from operating activities:		
Net earnings	$1,914	$4,931
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,547	1,652
Stock-based compensation	475	704
Deferred income taxes	(992)	-
Amortization of bond premium	125	278
Non-cash restructuring charges	3,484	-
Changes in operating assets and liabilities	(5,051)	1,252
Net cash provided by operating activities	**1,502**	**8,817**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(500)	(94)
Purchases of marketable securities	(141,881)	(27,102)
Proceeds from sales and maturities of marketable securities	74,205	29,478
Net cash (used in) provided by investing activities	**(68,176)**	**2,282**
Cash flows from financing activities:		
Dividends paid	(4,047)	(4,047)
Proceeds from exercise of stock options	39	-
Payments of long-term debt	(1,750)	(1,500)
Net cash used in financing activities	**(5,758)**	**(5,547)**
(Decrease) increase in cash and cash equivalents before effect of exchange rate changes	(72,432)	5,552
Effect of exchange rate changes on cash and cash equivalents	185	129
(Decrease) increase in cash and cash equivalents	**(72,247)**	**5,681**
Cash and cash equivalents, beginning of period	102,438	97,757
Cash and cash equivalents, end of period	**$30,191**	**$103,438**
Supplemental cash flow information:		
Cash paid during the period for income taxes, net of refunds	$1,534	$1,763
Cash paid during the period for interest	$1,007	$653

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Amounts in thousands, except share (unless otherwise stated), per share and option amounts)

1. CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Balance Sheet as of August 27, 2017, the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Earnings for the 13 weeks and 26 weeks ended August 27, 2017 and August 28, 2016 and the Condensed Consolidated Statements of Cash Flows for the 26 weeks then ended have been prepared by Park Electrochemical Corp. (the "Company"), without audit. In the opinion of management, these unaudited consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at August 27, 2017 and the results of operations and cash flows for all periods presented. The Consolidated Statements of Operations are not necessarily indicative of the results to be expected for the full fiscal year or any subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2017. There have been no significant changes to such accounting policies during the 26 weeks ended August 27, 2017.

2. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the "exit price") in an orderly transaction between market participants at the measurement date.

Fair value measurements are broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (*e.g.*, interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. Due to the variable interest rates periodically adjusting with the current LIBOR, the carrying value of outstanding borrowings under the Company's long-term debt approximates its fair value. (See Note 5). Certain assets and liabilities of the Company are required to be recorded at fair value on either a recurring or non-recurring basis. On a recurring basis, the Company records its marketable securities at fair value using Level 1 or Level 2 inputs. (See Note 3).

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any long-lived assets written down to fair value. To measure fair value of such assets, the Company uses Level 3 inputs consisting of techniques including an income approach and a market approach. The income approach is based on a discounted cash flow analysis and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the discounted cash flow analysis require the exercise of significant judgment, including judgment about appropriate discount rates, terminal values, growth rates and the amount and timing of expected future cash flows. There were no transfers between levels within the fair value hierarchy during the 26 weeks ended August 27, 2017 and August 28, 2016. With respect to goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying value. If, based on that assessment, the Company believes it is more likely than not that the fair value is less than its carrying value, a two-step goodwill impairment test is performed. There have been no changes in events or circumstances which required impairment charges to be recorded during the 13 or 26 weeks ended August 27, 2017.

3. MARKETABLE SECURITIES

All marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, included in comprehensive earnings. Realized gains and losses, amortization of premiums and discounts, and interest and dividend income are included in interest and other income in the Consolidated Statements of Operations. The costs of securities sold are based on the specific identification method.

The following is a summary of available-for-sale securities:

	August 27, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury and other government securities	$151,337	$151,337	$ -	$ -
U.S. corporate debt securities	51,536	51,536	-	-
Total marketable securities	**$202,873**	**$202,873**	**$ -**	**$ -**

	February 26, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury and other government securities	$111,261	$111,261	$ -	$ -
U.S. corporate debt securities	24,891	24,891	-	-
Total marketable securities	**$136,152**	**$136,152**	**$ -**	**$ -**

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The following table shows the amortized cost basis of, and gross unrealized gains and losses on, the Company's available-for-sale securities:

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses
August 27, 2017:			
U.S. Treasury and other government securities	$ 151,941	$ 26	$ 630
U.S. corporate debt securities	51,665	-	129
Total marketable securities	**$ 203,606**	**$ 26**	**$ 759**
February 26, 2017:			
U.S. Treasury and other government securities	$ 111,727	$ 136	$ 602
U.S. corporate debt securities	24,938	1	48
Total marketable securities	**$ 136,665**	**$ 137**	**$ 650**

The estimated fair values of such securities at August 27, 2017 by contractual maturity are shown below:

Due in one year or less	$25,939
Due after one year through five years	176,934
	$202,873

4. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company writes down its inventory for estimated obsolescence or unmarketability based upon the age of the inventory and assumptions about future demand for the Company's products and market conditions. Inventories consisted of the following:

	August 27, 2017	**February 26, 2017**
<u>Inventories:</u>		
Raw materials	$7,305	$ 5,842
Work-in-process	2,714	2,329
Finished goods	1,533	2,585

Manufacturing supplies	367	349
	$11,919	**$ 11,105**

5. LONG-TERM DEBT

On January 15, 2016, the Company entered into a three-year revolving credit facility agreement (the “Credit Agreement”) with HSBC Bank USA, National Association (“HSBC Bank”). This Credit Agreement replaced the Amended Credit Agreement that the Company entered into with PNC Bank in February 2014. The Credit Agreement provides for loans up to $75,000 and letters of credit up to $2,000. The Company borrowed $75,000 under the Credit Agreement and obtained letters of credit in the initial principal amount of $1,075. During the 2016 fiscal year, the Company made no payments in accordance with the Credit Agreement. During the 2017 fiscal year, the Company paid a total of $3,000 in accordance with the Credit Agreement; and, during the 2018 fiscal year first quarter ended May 28, 2017, the Company paid a quarterly installment of $750. The remaining $71,250 is payable in seven quarterly installments of $750 each, with the remaining amount outstanding under the Credit Agreement payable on January 26, 2019. Pursuant to an amendment entered into on April 21, 2017, the second and third installments due in the 2018 fiscal year were increased from $750 to $1,000.

Borrowings under the Credit Agreement bear interest at a rate equal to, at the Company’s option, either (a) a fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate (as defined in the Credit Agreement), such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate or (b) a rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the one, two, three or six month LIBOR plus 1.15%. Under the Credit Agreement, the Company is also obligated to pay to HSBC Bank a nonrefundable commitment fee equal to 0.10% per annum (computed on the basis of a year of 360 days and actual days elapsed) multiplied by the average daily difference between the amount of (i) the revolving credit commitment plus the letter of credit facility and (ii) the revolving facility usage, payable quarterly in arrears.

On January 5, 2017, the Company entered into an amendment to the Credit Agreement (the “Amended Credit Agreement”) with HSBC Bank that modified the LIBOR interest rate and certain covenants. Under the Amended Credit Agreement, the LIBOR interest rate will be equal to the one, two, three, or six month LIBOR plus (a) 1.65% through April 5, 2017, (b) 1.90% from April 6, 2017 through July 5, 2017, (c) 2.15% from July 6, 2017 through October 5, 2017 and (d) 2.65% after October 5, 2017.

The Credit Agreement and the Amended Credit Agreement contain certain customary affirmative and negative covenants, including customary financial covenants. The covenants require the Company to (a) maintain a gross leverage charge ratio not to exceed 4.25 to 1.00 for the fiscal quarter ending August 27, 2017 and 3.75 to 1.00 each fiscal quarter thereafter, (b) maintain a minimum fixed charge coverage ratio of 0.50 to 1.00 for the fiscal quarter ending August 27, 2017 and 1.10 to 1.00 for each fiscal quarter thereafter and (c) maintain a minimum quick ratio of 2.00 to 1.00. In addition, the Company must maintain minimum domestic liquid assets of $10,000 in cash held at all times in a domestic deposit account. The Company is in compliance with all the financial covenants.

During the quarter end May 28, 2017, the Company entered into two amendments to the Credit Agreement with HSBC Bank that modified the financial covenants and relaxed loan repayment requirements upon repatriation of foreign funds in the first and second quarters of fiscal year 2018. The amendments modified the definition of EBITDA to exclude $4,600 of restructuring charges in connection with the consolidation of the Company's Nelco Products, Inc. and Neltec, Inc. Business Units in the United States in fiscal year 2018, reduced the maximum gross leverage charge ratio to 1.10 to 1.00 and reduced the fixed charge coverage ratio to 0.20 to 1.00 for the first, second and third quarters of the 2018 fiscal year.

At August 27, 2017, $70,250 of indebtedness was outstanding under the Credit Agreement with an interest rate of 3.41%. Interest expense recorded under the Credit Agreement and the Amended Credit Agreement was $603 and $1,113 during the 13-week and 26-week periods ended August 27, 2017, respectively, and $334 and $667 during the 13-week and 26-week periods ended August 28, 2016, respectively.

6. RESTRUCTURING CHARGES

On April 18, 2017, the Company announced the consolidation of its Nelco Products, Inc. Business Unit located in Fullerton, California and its Neltec, Inc. Business Unit located in Tempe, Arizona. The consolidation is expected to take four to six months to complete. When complete, all business functions will be performed at Neltec in Tempe, Arizona and certain manufacturing operations will continue to be performed in California, under the supervision of the Neltec Business Unit.

During the 13-week and 26-week periods ended August 27, 2017 the Company recorded restructuring charges of $2,813 and $4,063, respectively, related to the consolidation. The Company estimates the remaining pre-tax charge in connection with the consolidation to be approximately $1,500. This remaining charge is expected to be incurred primarily during the fiscal year ending March 3, 2019 or beyond. The Company estimates the remaining pre-tax charge in connection with the consolidation to be approximately $1,500. This remaining charge is expected to be incurred primarily during the fiscal year ending March 3, 2019 or beyond.

The following table sets forth the charges and accruals related to the consolidation:

	Total Expense For 13 Weeks Ended May 28, 2017	**Current Period Expense**	**Cash Payments**	**Non-Cash Charges**	**Accrual August 27, 2017**	**Total Expense For 26 Weeks Ended August 27, 2017**	**Total Expected Costs**
Facility Lease Costs	$ -	$ 2,753	$ -	$ -	$ 2,753	$ 2,753	$ 2,753
Severance Costs	1,183	(61)	(391)	-	731	1,122	1,122
Equipment Removal	-	-	-	-	-	-	700
Other	67	121	(121)	(67)	-	188	925
Total Restructuring Plan	**$ 1,250**	**$ 2,813**	**$ (512)**	**$ (67)**	**$ 3,484**	**$ 4,063**	**$ 5,500**

The Company recorded additional restructuring charges of $89 and $23 during the 13-week periods ended August 27, 2017 and August 28, 2016, respectively, and $200 and $93 during the 26 weeks ended August 27, 2017 and August 28, 2016, respectively, related to the closure in the 2009 fiscal year of the Company's New England Laminates Co., Inc. Business Unit located in Newburgh, New York. The New England Laminates Co., Inc. building in Newburgh, New York is held for sale. In the 2004 fiscal year, the Company reduced the book value of the building to zero, and the Company intends to sell it during the 2018 fiscal year.

7. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the potentially dilutive securities outstanding during the period. Stock options are the only potentially dilutive securities that have been issued by the Company; and the number of dilutive options is computed using the treasury stock method.

The following table sets forth the calculation of basic and diluted earnings per share:

	13 Weeks Ended		26 Weeks Ended	
	August 27, 2017	**August 28, 2016**	**August 27, 2017**	**August 28, 2016**
Net earnings	**$520**	**$1,981**	**$1,914**	**$4,931**
Weighted average common shares outstanding for basic EPS	20,236	20,235	20,236	20,235
Net effect of dilutive options	14	-	11	-
Weighted average shares outstanding for diluted EPS	**20,250**	**20,235**	**20,247**	**20,235**
Basic earnings per share	**$0.03**	**$0.10**	**$0.09**	**$0.24**
Diluted earnings per share	**$0.03**	**$0.10**	**$0.09**	**$0.24**

Potentially dilutive securities, which were not included in the computation of diluted earnings per share because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 713,000 and 882,000 for the 13 weeks ended August 27, 2017 and August 28, 2016, respectively, and 793,000 and 953,000 for the 26 weeks ended August 27, 2017 and August 28, 2016, respectively.

8. SHAREHOLDERS' EQUITY

During the 26 weeks ended August 27, 2017, the Company sold 2,775 shares of the Company's treasury stock pursuant to the exercises of employee stock options and received proceeds of $39 from such exercises. The Company recognized stock-based compensation expense, net of tax benefits, of $459.

On January 8, 2015, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,250,000 shares of its common stock, representing approximately 6% of the Company's 20,945,634 total outstanding shares as of the close of business on January 7, 2015. This authorization supersedes all prior Board of Directors' authorizations to purchase shares of the Company's common stock.

On March 10, 2016, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,000,000 additional shares of its common stock, in addition to the unused prior authorization to purchase shares of the Company's common stock announced on January 8, 2015. As a result, the Company is authorized to purchase up to a total of 1,531,412 shares of its common stock, representing approximately 7.6% of the Company's 20,237,446 total outstanding shares as of the close of business on October 4, 2017.

The Company did not purchase any shares of its common stock during the 26 weeks ended August 27, 2017 or during the 26 weeks ended August 28, 2016.

9. INCOME TAXES

The Company’s effective tax rates for the 13 weeks and 26 weeks ended August 27, 2017 were materially different as compared to the 13 weeks and 26 weeks ended August 28, 2016. The lower effective tax rates were primarily due to the mix of earnings and losses in different jurisdictions during the 13 weeks and 26 weeks ended August 27, 2017 and the reversal of a tax reserve of $688 related to certain foreign tax deductions taken in prior years.

The Company continuously evaluates the liquidity and capital requirements of its operations in the United States and of its foreign operations. As a result of such evaluation during the 2014 fiscal year, the Company recorded a non-cash charge for the accrual of U.S. deferred income taxes in the amount of $63,958 on undistributed earnings of the Company’s subsidiary in Singapore. As a result of such evaluations, the Company repatriated $7,250, $6,800 and $61,000 in cash from the Company’s subsidiary in Singapore in the 2018, 2017 and 2016 fiscal years, respectively.

10. GEOGRAPHIC REGIONS

The Company is a global advanced materials company which develops, manufactures, markets and sells advanced composite materials, primary and secondary structures and assemblies and low-volume tooling for the aerospace markets and high-technology digital and RF/microwave printed circuit materials principally for the telecommunications and internet infrastructure, enterprise and military/aerospace markets. The Company’s products are sold to customers in North America, Asia and Europe. The Company’s manufacturing facilities are located in Kansas, Singapore, France, Arizona and California. The Company operates as a single operating segment, which is advanced materials for the electronics and aerospace markets, with common management and identical or very similar economic characteristics, products, raw materials, manufacturing processes and equipment, customers and markets, marketing, sales and distribution methods and regulatory environments. The chief operating decision maker reviews financial information on a consolidated basis.

Sales are attributed to geographic regions based upon the region in which the materials were delivered to the customer. Sales between geographic regions were not significant.

Financial information regarding the Company’s operations by geographic region is as follows:

	13 Weeks Ended		**26 Weeks Ended**	
	August 27,	**August 28,**	**August 27,**	**August 28,**

	2017	**2016**	**2017**	**2016**
Sales:				
North America	$17,997	$15,990	$33,413	$32,827
Asia	9,702	11,119	19,735	23,266
Europe	2,137	1,949	4,105	4,455
Total sales	**$29,836**	**$29,058**	**$57,253**	**$60,548**

August 27,