

RICHARDSON ELECTRONICS LTD/DE
Form 10-Q
April 09, 2010
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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 February 27, 2010

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)

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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 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 (§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, 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. (Check one):

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer (Do not check if a smaller reporting company) 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

As of April 5, 2010, there were outstanding 14,592,837 shares of Common Stock, \$0.05 par value and 3,048,258 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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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Richardson Electronics, Ltd.****Unaudited Condensed Consolidated Balance Sheets***(in thousands, except per share amounts)*

	February 27, 2010	May 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 51,561	\$ 43,887
Accounts receivable, less allowance of \$1,908 and \$2,396	93,121	92,449
Inventories	79,526	81,165
Prepaid expenses	6,639	5,245
Deferred income taxes	2,459	2,591
Total current assets	233,306	225,337
Non-current assets:		
Property, plant and equipment, net	16,992	19,371
Other intangible assets, net	154	432
Non-current deferred income taxes	3,445	3,385
Other non-current assets	325	290
Total non-current assets	20,916	23,478
Total assets	\$ 254,222	\$ 248,815
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 60,001	\$ 52,996
Accrued liabilities	18,689	18,371
Total current liabilities	78,690	71,367
Non-current liabilities:		
Long-term debt	43,833	52,353
Long-term income tax liabilities	3,474	5,016
Other non-current liabilities	1,550	1,386
Total non-current liabilities	48,857	58,755
Total liabilities	127,547	130,122
Commitments and contingencies		

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Stockholders equity		
Common stock, \$0.05 par value; issued 15,946 shares at February 27, 2010, and 15,930 shares at May 30, 2009	798	797
Class B common stock, convertible, \$0.05 par value; issued 3,048 shares at February 27, 2010, and at May 30, 2009	152	152
Preferred stock, \$1.00 par value, no shares issued		
Additional paid-in-capital	120,273	120,370
Common stock in treasury, at cost, 1,354 shares at February 27, 2010, and 1,065 shares at May 30, 2009	(8,492)	(6,310)
Retained earnings (accumulated deficit)	6,695	(2,475)
Accumulated other comprehensive income	7,249	6,159
Total stockholders equity	126,675	118,693
Total liabilities and stockholders equity	\$ 254,222	\$ 248,815

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

Statements of Operations	Three Months Ended		Nine Months Ended	
	February 27, 2010	February 28, 2009	February 27, 2010	February 28, 2009
Net sales	\$ 121,330	\$ 110,316	\$ 346,756	\$ 381,814
Cost of sales	91,922	86,590	261,838	292,191
Gross profit	29,408	23,726	84,918	89,623
Selling, general, and administrative expenses	23,720	27,686	70,336	84,089
Loss on disposal of assets	9	5,778	7	5,856
Operating income (loss)	5,679	(9,738)	14,575	(322)
Other (income) expense:				
Interest expense	983	1,130	3,227	3,489
Investment (income) loss	(19)	33	(79)	(337)
Foreign exchange (gain) loss	(208)	(153)	1,310	(2,636)
(Gain) loss on retirement of long-term debt	127		127	(849)
Other, net	2	74	(96)	(92)
Total other (income) expense	885	1,084	4,489	(425)
Income (loss) from continuing operations before income taxes	4,794	(10,822)	10,086	103
Income tax provision (benefit)	326	563	(604)	1,861
Income (loss) from continuing operations	4,468	(11,385)	10,690	(1,758)
Loss from discontinued operations			1,173	
Net income (loss)	\$ 4,468	\$ (11,385)	\$ 9,517	\$ (1,758)
Net income (loss) per common share basic:				
Income (loss) from continuing operations	\$ 0.26	\$ (0.65)	\$ 0.61	\$ (0.10)
Loss from discontinued operations			(0.07)	
Net income (loss) per common share - basic	\$ 0.26	\$ (0.65)	\$ 0.54	\$ (0.10)
Net income (loss) per Class B common share basic:				
Income (loss) from continuing operations	\$ 0.23	\$ (0.58)	\$ 0.55	\$ (0.09)
Loss from discontinued operations			(0.06)	
Net income (loss) per Class B common share - basic	\$ 0.23	\$ (0.58)	\$ 0.49	\$ (0.09)
Net income (loss) per common share diluted:				
Income (loss) from continuing operations	\$ 0.25	\$ (0.65)	\$ 0.60	\$ (0.10)
Loss from discontinued operations			(0.07)	

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Net income (loss) per common share diluted	\$ 0.25	\$ (0.65)	\$ 0.53	\$ (0.10)
Net income (loss) per Class B common share diluted:				
Income (loss) from continuing operations	\$ 0.23	\$ (0.58)	\$ 0.55	\$ (0.09)
Loss from discontinued operations			(0.06)	
Net income (loss) per Class B common share diluted	\$ 0.23	\$ (0.58)	\$ 0.49	\$ (0.09)
Weighted average number of shares:				
Common shares - basic	14,718	14,858	14,814	14,856
Class B common shares - basic	3,048	3,048	3,048	3,048
Common shares - diluted	20,229	14,858	17,873	14,856
Class B common shares - diluted	3,048	3,048	3,048	3,048
Dividends per common share	\$ 0.020	\$ 0.020	\$ 0.060	\$ 0.060
Dividends per Class B common share	\$ 0.018	\$ 0.018	\$ 0.054	\$ 0.054
Statements of Comprehensive Income (Loss)				
Net income (loss)	\$ 4,468	\$ (11,385)	\$ 9,517	\$ (1,758)
Foreign currency translation	(5,043)	(2,213)	1,089	(16,560)
Fair value adjustments on investments	3	17	1	(116)
Comprehensive income (loss)	\$ (572)	\$ (13,581)	\$ 10,607	\$ (18,434)

Table of Contents**Richardson Electronics, Ltd.****Unaudited Condensed Consolidated Statements of Cash Flows***(in thousands)*

	Three Months Ended		Nine Months Ended	
	February 27, 2010	February 28, 2009	February 27, 2010	February 28, 2009
Operating activities:				
Net income (loss)	\$ 4,468	\$ (11,385)	\$ 9,517	\$ (1,758)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:				
Depreciation and amortization	945	1,103	3,124	3,462
Discontinued operations			1,173	
(Gain) loss on retirement of long-term debt	127		127	(849)
Loss on disposal of assets	9	5,778	7	5,856
Stock compensation expense	152	164	503	468
Deferred income taxes	35	319	119	259
Accounts receivable	(1,389)	6,647	(350)	8,719
Inventories	(3,959)	4,177	1,926	(6,221)
Prepaid expenses	(189)	808	(1,661)	(414)
Accounts payable	15,722	(8,207)	6,991	(2,800)
Accrued liabilities	(395)	(1,505)	551	(3,737)
Long-term income tax liabilities	(111)	(246)	(1,333)	(991)
Other	564	332	(16)	(437)
Net cash provided by (used in) operating activities	15,979	(2,015)	20,678	1,557
Investing activities:				
Capital expenditures	(190)	(389)	(684)	(887)
Discontinued operations settlement	(1,000)		(1,000)	
Proceeds from sale of assets	6	124	6	175
Contingent purchase price		165		26
(Gain) loss on sale of investments	(3)	2	(30)	(8)
Proceeds from sales of available-for-sale securities	29	25	132	124
Purchases of available-for-sale securities	(29)	(25)	(132)	(124)
Net cash used in investing activities	(1,187)	(98)	(1,708)	(694)
Financing activities:				
Proceeds from borrowings		34,400	10,200	92,300
Payments on debt		(34,400)	(10,200)	(92,300)
Retirement of long-term debt	(8,494)		(8,494)	(2,364)
Repurchase of common stock	(2,192)		(2,192)	
Proceeds from issuance of common stock	100		105	5
Cash dividends paid	(347)	(353)	(1,051)	(1,057)
Other			10	
Net cash used in financing activities	(10,933)	(353)	(11,622)	(3,416)
Effect of exchange rate changes on cash and cash equivalents	(2,255)	(429)	326	(4,904)

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Increase (decrease) in cash and cash equivalents	1,604	(2,895)	7,674	(7,457)
Cash and cash equivalents at beginning of period	49,957	35,480	43,887	40,042
Cash and cash equivalents at end of period	\$ 51,561	\$ 32,585	\$ 51,561	\$ 32,585

Table of Contents**Richardson Electronics, Ltd.****Unaudited Condensed Consolidated Statement of Stockholders' Equity***(in thousands)*

	Common	Class B Common	Par Value	Additional Paid In Capital	Common Stock in Treasury	(Accumulated Deficit) / Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance May 30, 2009:	15,930	3,048	\$ 949	\$ 120,370	\$ (6,310)	\$ (2,475)	\$ 6,159	\$ 118,693
Net income						9,517		9,517
Foreign currency translation							1,089	1,089
Fair value adjustments on investments							1	1
Share-based compensation:								
Non-vested restricted stock				22				22
Stock options				481				481
Common stock issued	16		1	104				105
Repurchase of common stock					(2,192)			(2,192)
Treasury stock					10			10
Dividends paid to:								
Common (\$0.060 per share)				(594)		(292)		(886)
Class B (\$0.054 per share)				(110)		(55)		(165)
Balance February 27, 2010:	15,946	3,048	\$ 950	\$ 120,273	\$ (8,492)	\$ 6,695	\$ 7,249	\$ 126,675

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RICHARDSON ELECTRONICS, LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Richardson Electronics, Ltd. (we , us , and our) was originally incorporated in the state of Illinois in 1947 and is currently incorporated in the state of Delaware. We are a global provider of engineered solutions and a global distributor of electronic components to the radio frequency (RF), wireless and power conversion, electron device, and display systems markets. Utilizing our core engineering and manufacturing capabilities, our strategy is to provide specialized technical expertise and value-add, or engineered solutions. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, and logistics for end products of our customers. Design-in support includes component modifications or the identification of lower-cost product alternatives or complementary products.

Our products include RF and microwave components, power semiconductors, electron tubes, microwave generators, and visual technology solutions. These products are used to control, switch or amplify electrical power signals, or are used as display devices in a variety of industrial, commercial, and communication applications.

Our sales and marketing, product management, and purchasing functions are organized as follows:

RF, Wireless & Power Division (RFPD) serves the global RF and wireless communications market, including infrastructure, wireless networks, and the power conversion market.