BEL FUSE INC /NJ
Form 10-Q
May 06, 2011

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 March 31, 2011
	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 No. 0-11676

BEL FUSE INC.
206 Van Vorst Street
Jersey City, NJ 07302
(201) 432-0463

(Address of principal executive offices and zip code)
(Registrant's telephone number, including area code)

NEW JERSEY	22-1463699
(State of incorporation)	(I.R.S. Employer Identification No.)

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). Requirement not	Yes [ ]	No [ ]

applicable to registrant prior to June 30, 2011

Indicate by checkmark 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 [X]	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 Act). Yes [ ] No [X]

Title of Each Class	Number of Shares of Common Stock Outstanding as of May 4, 2011
Class A Common Stock ($0.10 par value)	2,174,912
Class B Common Stock ($0.10 par value)	9,519,543

BEL FUSE INC.

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PART I. Financial Information

Item 1. Financial Statements (Unaudited)

Certain information and footnote disclosures required under accounting principles generally accepted in the United States of America have been condensed or omitted from the following condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. The following condensed consolidated financial statements should be read in conjunction with the year-end consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results for the entire fiscal year or for any other period.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share data)
(Unaudited)

	March 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$87,650	$83,829
Marketable securities	7,069	1,706
Accounts receivable - less allowance for doubtful accounts of $644 and $653 at March 31, 2011 and December 31, 2010, respectively	44,565	53,312
Inventories	57,309	56,970
Prepaid expenses and other current assets	2,662	2,354
Refundable income taxes	1,721	4,370
Deferred income taxes	1,195	1,023
Total Current Assets	202,171	203,564
Property, plant and equipment - net	43,611	44,793
Restricted cash	-	155
Deferred income taxes	3,298	3,201
Intangible assets - net	11,263	11,291
Goodwill	4,375	4,264
Other assets	9,978	9,904
TOTAL ASSETS	$274,696	$277,172
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$17,721	$21,180
Accrued expenses	19,209	22,545
Accrued restructuring costs	161	160
Income taxes payable	1,820	1,584
Dividends payable	818	799
Total Current Liabilities	39,729	46,268
Long-term Liabilities:		
Accrued restructuring costs	306	347
Liability for uncertain tax positions	3,103	2,874
Minimum pension obligation and unfunded pension liability	7,581	7,350
Total Long-term Liabilities	10,990	10,571
Total Liabilities	50,719	56,839
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-

Class A common stock, par value $.10 per share, 10,000,000 shares authorized; 2,174,912 shares outstanding at each date (net of 1,072,769 treasury shares)	217	217
Class B common stock, par value $.10 per share, 30,000,000 shares authorized; 9,521,543 and 9,527,343 shares outstanding, respectively (net of 3,218,307 treasury shares)	952	953
Additional paid-in capital	24,099	23,725
Retained earnings	197,924	195,477
Accumulated other comprehensive income (loss)	785	(39)
Total Stockholders' Equity	223,977	220,333
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$274,696	$277,172

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Net Sales	$71,403	$56,069
Costs and expenses:		
Cost of sales	57,132	47,157
Selling, general and administrative	10,057	9,189
	67,189	56,346
Income (loss) from operations	4,214	(277)
Interest income and other, net	68	122
Earnings (loss) before provision (benefit) for income taxes	4,282	(155)
Provision (benefit) for income taxes	1,038	(35)
Net earnings (loss)	$3,244	$(120)
Earnings (loss) per share:		
Class A common share - basic and diluted	$0.26	$(0.02)
Class B common share - basic and diluted	$0.28	$(0.01)
Weighted-average shares outstanding:		
Class A common share - basic and diluted	2,174,912	2,174,912
Class B common share - basic and diluted	9,525,785	9,464,270
Dividends paid per share:		
Class A common share	$0.06	$0.06
Class B common share	$0.07	$0.07

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands)
(Unaudited)

	Total	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital (APIC)
Balance, January 1, 2011	$ 220,333		$ 195,477	$ (39)	$ 217	$ 953	$ 23,725
Cash dividends declared on Class A common stock	(130)		(130)				
Cash dividends declared on Class B common stock	(667)		(667)				
Termination of restricted common stock	-					(1)	1
Currency translation adjustment	598	$ 598		598			
Unrealized holding gains on marketable securities arising during the year, net of taxes of $139	226	226		226			
Stock-based compensation expense	373						373
Net earnings	3,244	3,244	3,244				
Comprehensive income		$ 4,068					
Balance, March 31, 2011	$ 223,977		$ 197,924	$ 785	$ 217	$ 952	$ 24,099

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(Unaudited)

	Three Months Ended March 31, 2011	2010
Cash flows from operating activities:		
Net earnings (loss)	$3,244	$(120)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,130	1,999
Stock-based compensation	373	530
Other, net	(158)	(39)
Deferred income taxes	(406)	12
Changes in operating assets and liabilities (see below)	4,803	(4,939)
Net Cash Provided by (Used in) Operating Activities	9,986	(2,557)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(611)	(559)
Purchase of marketable securities	(5,111)	-
Cash transferred from restricted cash	160	-
Payment for acquisition, net of cash acquired	-	(40,424)
Net Cash Used in Investing Activities	(5,562)	(40,983)
Cash flows from financing activities:		
Dividends paid to common shareholders	(778)	(774)
Net Cash Used In Financing Activities	(778)	(774)
Effect of exchange rate changes on cash	175	(93)
Net Increase (Decrease) in Cash and Cash Equivalents	3,821	(44,407)
Cash and Cash Equivalents - beginning of period	83,829	124,231
Cash and Cash Equivalents - end of period	$87,650	$79,824
Changes in operating assets and liabilities consist of:		
Decrease in accounts receivable	$9,063	$172
Increase in inventories	(114)	(4,471)
Increase in prepaid expenses and other current assets	(261)	(845)
Increase in other assets	-	(5)
Decrease in accounts payable	(3,530)	(278)
(Decrease) increase in accrued expenses	(3,426)	385
Cash payments of accrued restructuring costs	(40)	(39)
Increase in income taxes payable	3,111	142
	$4,803	$(4,939)
Supplementary information:		
Cash (received) paid during the period for:		
Income taxes, net of refunds received	$(1,649)	$37
Interest	-	25

Details of acquisition:		
Fair value of identifiable net assets acquired	$-	$38,132
Goodwill	-	2,349
Fair value of net assets acquired	$-	$40,481
Fair value of consideration transferred	$-	$40,481
Less: Cash acquired in acquisition	-	(57)
Cash paid for acquisition, net of cash acquired	$-	$40,424

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated balance sheet as of March 31, 2011, and the condensed consolidated statements of operations, stockholders' equity and cash flows for the periods presented herein have been prepared by Bel Fuse Inc. (the "Company" or "Bel") and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations, changes in stockholders' equity and cash flows for all periods presented have been made. The results for the three months ended March 31, 2011 should not be viewed as indicative of the Company's annual results or the Company's results for any other period. The information for the condensed consolidated balance sheet as of December 31, 2010 was derived from audited financial statements. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Bel Fuse Annual Report on Form 10-K for the year ended December 31, 2010.

On January 29, 2010, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch Connectors, Inc. ("Cinch U.S."), Cinch Connectors de Mexico, S.A. de C.V. ("Cinch Mexico") and Cinch Connectors Ltd. ("Cinch Europe") (collectively "Cinch") from Safran S.A. Accordingly, as of January 29, 2010, all of the assets acquired and liabilities assumed were recorded at their fair values and the Company's condensed consolidated results of operations for the three months ended March 31, 2010 include Cinch's operating results from January 29, 2010 through March 31, 2010. In accordance with the accounting guidance for business combinations, the results of operations and cash flows for the three months ended March 31, 2010 have been adjusted retrospectively to reflect measurement period adjustments as if they had been recorded on the date of acquisition. The measurement period adjustments did not have a significant impact on our condensed consolidated statement of operations or cash flows for the three months ended March 31, 2010.

Recent Accounting Pronouncements

The Company's significant accounting policies are summarized in Note 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010. There were no significant changes to these accounting policies during the three months ended March 31, 2011 and the Company does not expect that the adoption of other recent accounting pronouncements will have a material impact on its financial statements.

2. EARNINGS (LOSS) PER SHARE

The Company utilizes the two-class method to report its earnings (loss) per share. The two-class method is an earnings (loss) allocation formula that determines earnings (loss) per share for each class of common stock according to dividends declared and participation rights in undistributed earnings (loss). The Company's Certificate of Incorporation, as amended, states that Class B common shares are entitled to dividends at least 5% greater than dividends paid on Class A common shares, resulting in the two-class method of computing earnings (loss) per share. In computing earnings (loss) per share, the Company has allocated dividends declared to Class A and Class B based on amounts actually declared for each class of stock and 5% more of the undistributed earnings (loss) have been allocated to Class B shares than to the Class A shares on a per share basis. Basic earnings (loss) per common share are computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share, for each class of common stock, are computed by dividing net earnings by the weighted-average number of common shares and potential common shares outstanding during the period. There were no potential common shares outstanding during the three months ended March 31, 2011 or 2010 which would have had a dilutive effect on earnings (loss) per share.

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The earnings (loss) and weighted-average shares outstanding used in the computation of basic and diluted earnings (loss) per share are as follows (dollars in thousands, except share and per share data):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Numerator:		
Net earnings (loss)	$ 3,244	$ (120)
Less Dividends:		
Class A	130	130
Class B	667	664
Undistributed earnings (loss)	$ 2,447	$ (914)
Undistributed earnings (loss) allocation - basic and diluted:		
Class A undistributed earnings (loss)	437	(164)
Class B undistributed earnings (loss)	2,010	(750)
Total undistributed earnings (loss)	$ 2,447	$ (914)
Net earnings (loss) allocation - basic and diluted:		
Class A allocated earnings (loss)	567	(34)
Class B allocated earnings (loss)	2,677	(86)
Net earnings (loss)	$ 3,244	$ (120)
Denominator:		
Weighted-average shares outstanding:		
Class A common share - basic and diluted	2,174,912	2,174,912
Class B common share - basic and diluted	9,525,785	9,464,270
Earnings (loss) per share:		
Class A common share - basic and diluted	$ 0.26	$ (0.02)
Class B common share - basic and diluted	$ 0.28	$ (0.01)

3. ACQUISITION

On January 29, 2010 (the "Acquisition Date"), the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch from Safran S.A. Bel paid $39.7 million in cash and assumed an additional $0.8 million of expenses in exchange for the net assets acquired. The transaction was funded with cash on hand. Cinch is headquartered in Lombard, Illinois and has manufacturing facilities in Vinita, Oklahoma; Reynosa, Mexico; and Worksop, England.

Cinch manufactures a broad range of interconnect products for customers in the military and aerospace, high-performance computing, telecom/datacom, and transportation markets. The addition of Cinch's well-established lines of connector and cable products and extensive clientele has enabled Bel to broaden its customer base to include aerospace and military markets. The acquisition of Cinch has also created the opportunity for expense reduction and the elimination of redundancies. The combination of these factors has given rise to $2.3 million of goodwill ($1.2 million allocated to the Company's North America operating segment and $1.1 million allocated to the Company's Europe operating segment).

During the three months ended March 31, 2010, the Company expensed $0.2 million of acquisition-related costs. These costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statement of operations.

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Cinch's results of operations have been included in the Company's condensed consolidated financial statements for the period subsequent to the Acquisition Date. Cinch contributed revenues of $9.9 million and estimated net losses of $0.6 million to the Company for the period from the Acquisition Date through March 31, 2010. The unaudited pro forma information presents the combined operating results of the Company and Cinch. The following unaudited pro forma consolidated results of operations assume that the acquisition of Cinch was completed as of January 1, 2010 (in thousands):

	Three Months Ended March 31, 2010
Revenue	$ 59,738
Net loss	(241)
Loss per Class A common share - basic and diluted	(0.03)
Loss per Class B common share - basic and diluted	(0.02)

4. FAIR VALUE MEASUREMENTS

The Company utilizes the accounting guidance for fair value measurements and disclosures for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the condensed consolidated financial statements on a recurring basis or on a nonrecurring basis during the reporting period. The fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based upon the best use of the asset or liability at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. The accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as follows:

Level 1 – Observable inputs such as quoted market prices in active markets

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3 – Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions

As of March 31, 2011 and December 31, 2010, the Company held certain financial assets that are measured at fair value on a recurring basis. These consisted of the Company's investments in a Rabbi Trust which are intended to fund the Company's Supplemental Executive Retirement Plan ("SERP") obligations and other marketable securities described below. These are categorized as available-for-sale securities and are included as other assets in the accompanying condensed consolidated balance sheets at March 31, 2011 and December 31, 2010.

During 2010, the Company purchased equity securities on the open market at a purchase price of $1.2 million. During the three months ended March 31, 2011, the Company purchased additional equity securities on the open market at a purchase price of $0.1 million and invested $5.0 million in a mutual fund categorized as a fixed income available-for-sale marketable security. As of March 31, 2011 and December 31, 2010, these marketable securities had a fair value of $7.1 million and $1.7 million, respectively, and gross unrealized gains of $0.8 million and $0.5 million, respectively. Such unrealized gains are included, net of tax, in accumulated other comprehensive income. The fair value of the equity securities is determined based on quoted market prices in public markets and is categorized as Level 1. The fair value of the fixed income securities is determined based on other observable inputs, and are therefore categorized as Level 2 in the table below. The Company does not have any financial assets measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 1, Level 2 or Level 3 during the three months ended March 31, 2011 and 2010. There were no changes to the Company’s valuation techniques used to measure asset fair values on a recurring or nonrecurring basis during the three months ended March 31, 2011.

The following table sets forth by level, within the fair value hierarchy, the Company’s financial assets accounted for at fair value on a recurring basis as of March 31, 2011 and December 31, 2010 (dollars in thousands).

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		Assets at Fair Value Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2011				
Available-for-sale securities:				
Investments held in Rabbi Trust	$ 6,038	$ 6,038	$ -	$ -
Marketable securities:				
Publicly traded equity securities	2,074	2,074	-	-
Fixed income securities	4,995	-	4,995	-
Total	$ 13,107	$ 8,112	$ 4,995	$ -
As of December 31, 2010				
Available-for-sale securities:				
Investments held in Rabbi Trust	$ 5,924	$ 5,924	$ -	$ -
Marketable securities:				
Publicly traded equity securities	1,706	1,706	-	-
Total	$ 7,630	$ 7,630	$ -	$ -

The Level 2 fixed income securities noted in the table above represent the Company's investment in a fund that consists of debt securities (bonds), primarily U.S. government securities, corporate bonds, asset-backed securities and mortgage-backed securities. The value of the fund is determined based on quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data.

The Company has other financial instruments, such as cash equivalents, accounts receivable, accounts payable and accrued expenses, which are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. The Company did not have any other financial liabilities within the scope of the fair value disclosure requirements as of March 31, 2011.

Nonfinancial assets and liabilities, such as goodwill, indefinite-lived intangible assets and long-lived assets, are accounted for at fair value on a nonrecurring basis. These items are tested for impairment on the occurrence of a triggering event or, in the case of goodwill, on at least an annual basis. There were no triggering events that occurred during the three months ended March 31, 2011 or 2010 that would warrant interim impairment testing.

5. INVENTORIES

The components of inventories are as follows (dollars in thousands):

	March 31, 2011	December 31, 2010
Raw materials	$ 37,059	$ 35,157
Work in progress	6,274	5,930
Finished goods	13,976	15,883
	$ 57,309	$ 56,970

6. BUSINESS SEGMENT INFORMATION

The Company operates in one industry with three reportable operating segments, which are geographic in nature. The segments consist of North America, Asia and Europe. The primary criteria by which financial performance is evaluated and resources are allocated are revenues and operating income. The following is a summary of key financial data (dollars in thousands):

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	Three Months Ended March 31,	
	2011	2010
Total segment revenues:		
North America	$ 36,265	$ 24,246
Asia	42,037	34,771
Europe	9,104	6,696
Total segment revenues	87,406	65,713
Reconciling item:		
Intersegment revenues	(16,003)	(9,644)
Net sales	$ 71,403	$ 56,069