

ELECTRO SENSORS INC
Form 10-Q
August 12, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 June 30, 2016

**o 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 000-9587

ELECTRO-SENSORS, INC.

(Exact name of registrant as specified in its charter)

Minnesota
State (State Employer Identification No.)
or
other
jurisdiction
of

incorporation
or
organization)

6111 Blue Circle Drive
Minnetonka, Minnesota 55343-9108
(Address of principal executive
offices)

(952) 930-0100
(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 of 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 o

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 o

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 o Accelerated filer o
Non-accelerated filer o (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 o No

The number of shares outstanding of the registrant's common stock, \$0.10 par value, on August 9, 2016 was 3,395,521.

ELECTRO-SENSORS, INC.

Form 10-Q

For the Periods Ended June 30, 2016

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****ELECTRO-SENSORS, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands except share and per share amounts)

	June 30, 2016	December 31, 2015
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 560	\$ 569
Treasury bills	7,488	7,872
Trade receivables, less allowance for doubtful accounts of \$8	1,035	689
Inventories	1,517	1,564
Other current assets	130	170
Deferred income tax asset, current	16	14
Total current assets	10,746	10,878
Deferred income tax asset	189	170
Intangible assets, net	1,153	1,270
Property and equipment, net	1,065	1,103
Total assets	\$ 13,153	\$ 13,421
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of note payable	\$ 0	\$ 390
Accounts payable	178	136
Accrued expenses	398	396
Accrued income tax	51	4

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Total current liabilities	627	926
Long-term liabilities		
Contingent earn-out	383	455
Total long-term liabilities	383	455
Commitments and contingencies		
Stockholders' equity		
Common stock par value \$0.10 per share; authorized 10,000,000 shares; 3,395,521 shares issued and outstanding	339	339
Additional paid-in capital	1,927	1,879
Retained earnings	9,906	9,855
Accumulated other comprehensive loss (unrealized loss on available-for-sale securities, net of income tax benefit)	(29)	(33)
Total stockholders' equity	12,143	12,040
Total liabilities and stockholders' equity	\$ 13,153	\$ 13,421

See accompanying notes to unaudited consolidated financial statements

ELECTRO-SENSORS, INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands except share and per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	\$2,009	\$2,048	\$3,725	\$3,933
Cost of goods sold	835	922	1,617	1,745
Gross profit	1,174	1,126	2,108	2,188
Operating expenses				
Selling and marketing	448	411	875	818
General and administrative	331	399	813	805
Research and development	188	189	361	405
Total operating expenses	967	999	2,049	2,028
Operating income	207	127	59	160
Non-operating income (expense)				
Interest expense	0	(2)	(1)	(6)
Gain on sale of available-for-sale securities	0	634	0	1,449
Interest income	4	1	15	2
Other income	6	4	9	7
Total non-operating income, net	10	637	23	1,452
Income before income taxes	217	764	82	1,612
Income taxes	77	268	31	563
Net income	\$140	\$496	\$51	\$1,049
Other comprehensive income (loss)				
Change in unrealized value of available-for-sale securities, net of income tax	4	63	4	132
Reclassification of gains included in net income, net of income tax	0	(394)	0	(899)

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Other comprehensive income (loss)	4	(331)	4	(767)
Net comprehensive income	\$144	\$165	\$55	\$282
Net income per share data:				
Basic				
Net income per share	\$0.04	\$0.15	\$0.01	\$0.31
Weighted average shares	3,395,521	3,395,521	3,395,521	3,395,521
Diluted				
Net income per share	\$0.04	\$0.14	\$0.01	\$0.29
Weighted average shares	3,692,032	3,653,021	3,703,021	3,653,021

See accompanying notes to unaudited consolidated financial statements

ELECTRO-SENSORS, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(unaudited)

	Six Months Ended June 30, 2016 2015	
Cash flows from (used in) operating activities		
Net income	\$51	\$1,049
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	157	177
Realized gain on sale of available-for-sale securities	0	(1,449)
Deferred income taxes	(21)	(11)
Stock-based compensation expense	48	31
Change in contingent earn-out fair value	(72)	(17)
Other	(15)	(4)
Change in:		
Trade receivables	(346)	(268)
Inventories	47	(234)
Other current assets	40	33
Accounts payable	42	151
Accrued expenses	2	40
Accrued income taxes	47	198
Net cash used in operating activities		