

FREQUENCY ELECTRONICS INC
Form 10-Q
March 16, 2016

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 January 31, 2016

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. 1-8061

FREQUENCY ELECTRONICS, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-1986657
(I.R.S. Employer Identification No.)

55 CHARLES LINDBERGH BLVD.,
MITCHEL FIELD, N.Y.
(Address of principal executive offices)

11553
(Zip Code)

Registrant's telephone number, including area code: 516-794-4500

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

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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 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 Smaller Reporting Company
(do not check if a 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, par value \$1.00 as of March 11, 2016 – 8,729,682

Table of Contents

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

TABLE OF CONTENTS

	Page No.
Part I. Financial Information:	
<u>Item 1 - Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets - January 31, 2016 (unaudited) and April 30, 2015</u>	3
<u>Condensed Consolidated Statements of Income and Comprehensive Income (unaudited) Nine Months Ended January 31, 2016 and 2015</u>	4
<u>Condensed Consolidated Statements of Income and Comprehensive Income (unaudited) Three Months Ended January 31, 2016 and 2015</u>	5
<u>Condensed Consolidated Statements of Cash Flows (unaudited) Nine Months Ended January 31, 2016 and 2015</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7-12
<u>Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13-20
<u>Item 3 - Quantitative and Qualitative Disclosures About Market Risk</u>	21
<u>Item 4 - Controls and Procedures</u>	21
Part II. Other Information:	
<u>Item 6 - Exhibits</u>	22
<u>Signatures</u>	23

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Balance Sheets

	January 31, 2016	April 30, 2015
	(UNAUDITED)	
	(In thousands except par value)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 7,079	\$ 7,222
Marketable securities	10,699	11,186
Accounts receivable, net of allowance for doubtful accounts of \$189 at January 31, 2016 and April 30, 2015	9,175	9,689
Costs and estimated earnings in excess of billings, net	12,345	12,929
Inventories	40,732	38,239
Deferred and prepaid income taxes	3,985	3,063
Prepaid expenses and other	1,133	1,271
Total current assets	85,148	83,599
Property, plant and equipment, at cost, less accumulated depreciation and amortization	12,425	12,686
Deferred income taxes	7,360	7,360
Goodwill and other intangible assets	617	617
Cash surrender value of life insurance and cash held in trust	12,591	11,825
Other assets	1,707	1,738
Total assets	\$ 119,848	\$ 117,825
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable - trade	\$ 2,358	\$ 1,720
Accrued liabilities	6,260	6,630
Total current liabilities	8,618	8,350
Long term debt- noncurrent	6,000	6,000
Deferred compensation	11,684	11,318
Deferred rent and other liabilities	337	347
Total liabilities	26,639	26,015
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - \$1.00 par value	-	-
Common stock - \$1.00 par value, issued 9,164 shares	9,164	9,164
Additional paid-in capital	55,204	54,360
Retained earnings	28,632	27,528
	93,000	91,052

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Common stock reacquired and held in treasury - at cost (425 shares at January 31, 2016 and 465 shares at April 30, 2015)	(1,945)	(2,132)
Accumulated other comprehensive income	2,154	2,890
Total stockholders' equity	93,209	91,810
Total liabilities and stockholders' equity	\$ 119,848	\$ 117,825

See accompanying notes to condensed consolidated financial statements.

3 of 23

Table of Contents

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Income and Comprehensive Income

Nine Months Ended January 31,
(Unaudited)

	2016	2015
	(In thousands except per share data)	
Condensed Consolidated Statements of Income		
Revenues	\$ 46,182	\$ 57,364
Cost of revenues	30,459	39,129
Gross margin	15,723	18,235
Selling and administrative expenses	10,067	10,548
Research and development expenses	4,395	3,965
Operating profit	1,261	3,722
Other income (expense):		
Investment income	408	754
Interest expense	(93)	(113)
Other income (expense), net	428	(28)
Income before provision for income taxes	2,004	4,335
Provision for income taxes	900	1,450
Net income	\$ 1,104	\$ 2,885
Net income per common share		
Basic	\$ 0.13	\$ 0.34
Diluted	\$ 0.12	\$ 0.33
Weighted average shares outstanding		
Basic	8,723	8,596
Diluted	8,948	8,864
Condensed Consolidated Statements of Comprehensive Income		
Net income	\$ 1,104	\$ 2,885
Other comprehensive (loss):		
Foreign currency translation adjustment	(210)	(779)
Unrealized (loss) gain on marketable securities:		
Change in market value of marketable securities before reclassification, net of tax of \$226 and (\$145)	(436)	282
Reclassification adjustment for realized gains included in net income, net of tax of \$45 and \$128	(90)	(249)
Total unrealized (loss) gain on marketable securities, net of tax	(526)	33
Total other comprehensive (loss)	(736)	(746)
Comprehensive income	\$ 368	\$ 2,139

See accompanying notes to consolidated condensed financial statements.

Table of Contents

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Income and Comprehensive Income

Three Months Ended January 31,
(Unaudited)

	2016	2015
	(In thousands except per share data)	
Condensed Consolidated Statements of Income		
Revenues	\$ 13,498	\$ 18,381
Cost of revenues	8,773	12,485
Gross margin	4,725	5,896
Selling and administrative expenses	3,151	3,578
Research and development expenses	1,302	1,321
Operating profit	272	997
Other income (expense):		
Investment income	43	129
Interest expense	(37)	(32)
Other income (expense), net	24	(16)
Income before provision for income taxes	302	1,078
Provision for income taxes	20	200
Net income	\$ 282	\$ 878
Net income per common share		
Basic	\$ 0.03	\$ 0.10
Diluted	\$ 0.03	\$ 0.10
Weighted average shares outstanding		
Basic	8,736	8,609
Diluted	8,925	8,874
Condensed Consolidated Statements of Comprehensive Income		
Net income	\$ 282	\$ 878
Other comprehensive (loss):		
Foreign currency translation adjustment	(1,002)	(387)
Unrealized (loss) on marketable securities:		
Change in market value of marketable securities before reclassification, net of tax of \$76 and \$41	(147)	(78)
Total unrealized (loss) on marketable securities, net of tax	(147)	(78)
Total other comprehensive (loss)	(1,149)	(465)
Comprehensive (loss) income	\$ (867)	\$ 413

See accompanying notes to consolidated condensed financial statements.

Table of Contents

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Nine Months Ended January 31,
(Unaudited)

	2016	2015
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 1,104	\$ 2,885
Non-cash charges to earnings	2,907	3,636
Net changes in operating assets and liabilities	(2,023)	