

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2013-01-10** | Period of Report: **2013-01-09**
SEC Accession No. [0001144204-13-001601](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

ELECTRO RENT CORP

CIK:[32166](#) | IRS No.: **952412961** | State of Incorp.: **CA** | Fiscal Year End: **0531**
Type: **8-K** | Act: **34** | File No.: [000-09061](#) | Film No.: **13521461**
SIC: **7359** Equipment rental & leasing, nec

Mailing Address
6060 SEPULVEDA BLVD
VAN NUYS CA 91411

Business Address
6060 SEPULVEDA BLVD
VAN NUYS CA 91411-2512
8187872100

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) January 9, 2013

Electro Rent Corporation

(Exact Name of Registrant as Specified in Charter)

| | | |
|--|--------------------------|-----------------------------------|
| California | 0-9061 | 95-2412961 |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |
| 6060 Sepulveda Boulevard, Van Nuys, CA | | 91411-2501 |
| (Address of Principal Executive Offices) | | (Zip Code) |

Registrant's telephone number, including area code: (818) 787-2100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02(a). Results of Operations and Financial Condition

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition."

On January 9, 2013, Electro Rent Corporation issued a press release announcing its financial results for the second fiscal quarter ended November 30, 2012. A copy of the press release is furnished as Exhibit 99.1 to this report.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

99.1 Press release dated January 9, 2013.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Electro Rent Corporation

Date: January 10, 2013

By: /s/ Craig R. Jones

Craig R. Jones

Vice President and Chief Financial Officer



FOR IMMEDIATE RELEASE

For more information, contact:

Daniel Greenberg, Chairman and CEO
Electro Rent Corporation
818-786-2525

Roger Pondel/Laurie Berman
PondelWilkinson Inc.
310-279-5980
investor@pondel.com

Electro Rent Reports Fiscal 2013 Second Quarter Financial Results

VAN NUYS, Calif. – January 9, 2013 – Electro Rent Corporation (NASDAQ:ELRC) today reported financial results for the second fiscal quarter ended November 30, 2012.

“Our business moved forward during the second quarter, even in the face of the “fiscal cliff,” reflecting both economic reality and the increasing value of Electro Rent’s test and measurement equipment rental programs. We also saw continued advances in used equipment sales,” said Daniel Greenberg, Chairman and CEO of Electro Rent. “Although ongoing economic uncertainty continues to affect our customers and their ability and desire to purchase new equipment, this same uncertainty is driving increased demand for equipment acquisition alternatives, such as rental, which do not require large capital outlays or commitments.”

Total revenues increased 5.8% to \$65.2 million for the fiscal 2013 second quarter, from \$61.6 million for the fiscal 2012 second quarter. Rental and lease revenues grew to \$34.6 million for the second quarter of fiscal 2013, up from \$32.9 million for the second quarter of fiscal 2012, primarily related to the fiscal 2012 acquisition of Equipment Management Technology (EMT), greater customer demand and the integration of Electro Rent’s resale organization with its test and measurement sales force. Sales of equipment and other revenues increased to \$30.6 million for the most recent fiscal quarter, compared with \$28.7 million one year ago.

Selling, general and administrative expenses totaled \$14.1 million, or 21.6% of total revenues, for the fiscal 2013 second quarter, compared with \$13.1 million, or 21.3% of total revenues, for last fiscal year’s second quarter. The increase was primarily related to the enhancement of Electro Rent’s sales and sales support organizations, as well as its administrative infrastructure, to better position the company to capitalize on future growth opportunities. Total operating expenses were \$54.9 million for the fiscal 2013 second quarter, versus \$52.2 million last year.

Operating profit for the fiscal 2013 second quarter was \$10.3 million, or 15.8% of total revenues, compared with \$9.4 million, or 15.3% of total revenues, a year ago.

Net income for the fiscal 2013 second quarter totaled \$6.2 million, or \$0.26 per diluted share, versus \$6.0 million, or \$0.25 per diluted share, for the fiscal 2012 second quarter.

Total revenues for the first six months of fiscal 2013 advanced to \$123.7 million, from \$120.3 million for the comparable period last year. Rental and lease revenues for the fiscal 2013 year-to-date period increased to \$68.2 million, from \$64.2 million last year. Equipment sales and other revenues were \$55.5 million for the six months ended November 30, 2012, compared with \$56.1 million for the first half of fiscal 2012.

SG&A expenses were \$27.8 million, or 22.5% of total revenues, for the first six months of fiscal 2013, versus \$26.3 million, or 21.8% of total revenues, for the same period last year. Total operating expenses for the fiscal 2013 six-month period were \$105.1 million, compared with \$102.2 million for the fiscal 2012 six-month period.

Operating profit for the first six months of fiscal 2013 totaled \$18.6 million, or 15.0% of total revenue, compared with \$18.1 million, or 15.0% of total revenue, in the prior-year period.

Net income for the first half of fiscal 2013 amounted to \$11.3 million, or \$0.47 per diluted share, versus \$14.5 million, or \$0.60 per diluted share, for the fiscal 2012 period. Net income for the fiscal 2012 period included a one-time gain of \$3.4 million, or \$0.14 per diluted share, associated with the acquisition of EMT.

The company's effective tax rate was 40.3% for the second quarter of fiscal 2013, compared with 38.2% for the second quarter of fiscal 2012. The change related to an increase in certain foreign losses for which the company has a valuation allowance, and a bargain purchase gain, net of deferred taxes, of \$0.2 million for the three months ended November 30, 2011, related to an acquisition. Bargain purchase gains are recorded net of deferred taxes and are treated as permanent differences, resulting in a lower effective tax rate in the period recorded.

Rental equipment purchases for the fiscal 2013 second quarter were \$16.4 million, compared with \$29.6 million for the same period last year. Rental equipment purchases for the first six months of fiscal 2013 were \$34.3 million, versus \$54.2 million for the first six months of fiscal 2012. The book value of Electro Rent's equipment was \$241.0 million at November 30, 2012 compared with \$243.2 million at May 31, 2012.

Electro Rent had a sales order backlog for test and measurement equipment relating to its Agilent resale agreement of \$7.2 million at November 30, 2012, versus \$16.2 million last year, principally reflecting shorter manufacturing lead time and a decrease in new sales orders reflecting lower demand. The majority of the backlog is expected to be delivered to customers within the next six months.

Electro Rent paid dividends of \$4.9 million for the second quarter of fiscal 2013. On an annualized basis, Electro Rent's current quarterly dividend of \$0.20 per common share represents a 5.3% yield on the January 7, 2013 closing share price of \$15.08.

Total shareholders' equity at November 30, 2012 was \$221.3 million, or \$9.22 per share, compared with \$248.1 million, or \$10.34 per share, at May 31, 2012.

Electro Rent's cash and cash equivalents grew to \$10.0 million at November 30, 2012, up from \$9.3 million at May 31, 2012. On November 29, 2012, the company amended its commercial credit agreement to increase the amount available through the agreement from \$25.0 million to \$50.0 million.

“Our unwavering commitment to the core values of our business, which highly ranks helping our customers as their needs and requirements continue to change, should help us and them adjust to the serious economic challenges facing our country,” Greenberg said. “At the same time, Electro Rent is providing tangible value that can translate into sustained profitability and enhanced customer and vendor relationships. Clear and steadfast focus is the key to making progress in this ambiguous environment.”

About Electro Rent

Electro Rent Corporation (www.ElectroRent.com) is one of the largest global organizations devoted to the rental, leasing and sales of general purpose electronic test equipment, personal computers and servers.

“Safe Harbor” Statement:

Except for the historical statements and discussions in this press release, the company’s statements above constitute forward-looking statements within the meaning of section 21E of the Securities Exchange Act of 1934. These forward-looking statements reflect Electro Rent’s management’s current views with respect to future events and financial performance; however, you should not put undue reliance on these statements. When used, the words "expect" and "will" and other similar expressions identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties. The company believes its assumptions are reasonable; nonetheless, it is likely that at least some of these assumptions will not come true. Accordingly, Electro Rent’s actual results will probably differ from the outcomes contained in any forward-looking statement, and those differences could be material. Factors that could cause or contribute to these differences include, among others, those risks and uncertainties discussed in the company’s periodic reports on Form 10-K and 10-Q and in its other filings with the Securities and Exchange Commission. Should one or more of the risks discussed, or any other risks, materialize, or should one or more of our underlying assumptions prove incorrect, the company’s actual results may vary materially from those anticipated, estimated, expected or projected. In light of the risks and uncertainties, there can be no assurance that any forward-looking statement will in fact prove to be correct. Electro Rent undertakes no obligation to update or revise any forward-looking statements.

(Financial tables follow)

ELECTRO RENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (in thousands, except per share data)

| | Three Months Ended November 30, | | Six Months Ended November 30, | |
|---|------------------------------------|-----------------|----------------------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| Rentals and leases | \$ 34,575 | \$ 32,912 | \$ 68,240 | \$ 64,221 |
| Sales of equipment and other revenues | 30,617 | 28,731 | 55,453 | 56,072 |
| Total revenues | 65,192 | 61,643 | 123,693 | 120,293 |
| Operating expenses: | | | | |
| Depreciation of rental and lease equipment | 14,082 | 13,374 | 28,140 | 25,901 |
| Costs of rentals and leases, excluding depreciation | 4,558 | 4,394 | 8,930 | 8,773 |
| Costs of sales of equipment and other revenues | 22,164 | 21,287 | 40,213 | 41,291 |
| Selling, general and administrative expenses | 14,068 | 13,149 | 27,845 | 26,269 |
| Total operating expenses | 54,872 | 52,204 | 105,128 | 102,234 |
| Operating profit | 10,320 | 9,439 | 18,565 | 18,059 |
| Gain on bargain purchase, net of deferred taxes | - | 188 | - | 3,382 |
| Interest income, net | 137 | 108 | 283 | 207 |
| Income before income taxes | 10,457 | 9,735 | 18,848 | 21,648 |
| Income tax provision | 4,218 | 3,716 | 7,523 | 7,124 |
| Net income | \$ 6,239 | \$ 6,019 | \$ 11,325 | \$ 14,524 |
| Earnings per share: | | | | |
| Basic | \$ 0.26 | \$ 0.25 | \$ 0.47 | \$ 0.61 |
| Diluted | \$ 0.26 | \$ 0.25 | \$ 0.47 | \$ 0.60 |
| Shares used in per share calculation: | | | | |
| Basic | 23,988 | 23,981 | 23,994 | 23,981 |
| Diluted | 24,225 | 24,149 | 24,221 | 24,139 |
| Cash dividend paid per common share | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.20 |

ELECTRO RENT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (in thousands, except share numbers)

| | <u>November 30,</u> <u>2012</u> | <u>May 31,</u> <u>2012</u> |
|---|------------------------------------|-------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 10,017 | \$ 9,290 |
| Accounts receivable, net of allowance for doubtful accounts of \$466 and \$522 | 36,718 | 35,915 |
| Rental and lease equipment, net of accumulated depreciation of \$215,366 and \$204,108 | 240,993 | 243,173 |
| Other property, net of accumulated depreciation and amortization of \$18,398 and \$17,832 | 13,825 | 13,871 |
| Goodwill | 3,109 | 3,109 |
| Intangibles, net of accumulated amortization of \$1,386 and \$1,304 | 1,119 | 1,201 |
| Other assets | 22,760 | 23,272 |
| | <u>\$ 328,541</u> | <u>\$ 329,831</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Accounts payable | \$ 5,811 | \$ 8,555 |
| Accrued expenses | 13,100 | 11,870 |
| Accrued dividends | 29,186 | - |
| Deferred revenue | 6,702 | 6,904 |
| Deferred tax liability | 52,486 | 54,371 |
| Total liabilities | <u>107,285</u> | <u>81,700</u> |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, \$1 par - shares authorized 1,000,000, none issued | - | - |
| Common stock, no par - shares authorized 40,000,000; issued and outstanding November 30, 2012 - 23,995,626; May 31, 2012 - 23,987,826 | 36,895 | 36,179 |
| Retained earnings | 184,361 | 211,952 |
| Total shareholders' equity | <u>221,256</u> | <u>248,131</u> |
| | <u>\$ 328,541</u> | <u>\$ 329,831</u> |