SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-14** | Period of Report: **1993-11-30**
SEC Accession No. 0000355948-94-000004

(HTML Version on secdatabase.com)

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RICHARDSON ELECTRONICS LTD/DE
CIK:**355948**| IRS No.: **362096643** | State of Incorp.:**DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **000-12906** | Film No.: **94501423**
SIC: **5065** Electronic parts & equipment, nec

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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 November 30, 1993
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)

Delaware	36-2096643
(State of incorporation or organization)	(I.R.S. Employer Identification)

40W267 Keslinger Road, LaFox, Illinois 60147
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (708) 208-2200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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

As of January 10, 1994, there were outstanding 8,039,757 shares of Common Stock, $.05 par value, and 3,247,543 shares of Class B Common Stock, $.05 par value, which are convertible into Common Stock on a share for share basis.

This Quarterly Report on Form 10-Q contains 13 pages. It does not contain an exhibit index.

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Consolidated Condensed Balance Sheets
(in thousands)

	November 30 1993 (Unaudited)	May 31 1993 (Audited)
ASSETS		
Current Assets		
Cash and equivalents	$6,804	$7,098
Trade accounts receivable, less allowance ($1,429 at November 30, 1993 and $1,456 at May 31, 1993)	30,566	30,267
Inventories:		
Finished products	77,879	76,294
Work in process	3,970	3,961
Materials	5,931	6,700
	87,780	86,955
Deferred income taxes	1,335	1,562
Other	5,798	6,405
TOTAL CURRENT ASSETS	132,283	132,287
Investments	22,234	29,080
Property, Plant and Equipment	61,956	63,331
Less allowances for depreciation	(28,805)	(27,089)
	33,151	36,242
Other Assets	6,813	7,434
TOTAL ASSETS	$194,481	$205,043

See Notes to Consolidated Condensed Financial Statements

Consolidated Condensed Balance Sheets
(in thousands, except per share amounts)

	November 30 1993 (Unaudited)	May 31 1993 (Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$9,767	$11,902
Compensation and payroll taxes	2,896	3,939
Accrued interest	2,616	2,622
Reserve for litigation settlement and phase-down of domestic manufacturing operations	2,367	2,954
Income taxes payable	318	1,967
Other accrued expenses	1,188	1,782
Notes payable and current portion of long-term debt	12,476	3,134

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TOTAL CURRENT LIABILITIES	31,628	28,300
Long-Term Debt, less current portion	88,166	98,855
Deferred Income Taxes	2,377	2,471
Stockholders' Equity		
Common stock, $.05 par value; issued 8,039 at November 30, 1993 and 8,019 at May 31, 1993	402	401
Class B Common Stock, convertible, $.05 par value; issued 3,248 at November 30, 1993 and at May 31, 1993	162	162
Preferred stock, $1.00 par value	-	-
Additional paid-in capital	49,287	49,158
Retained earnings	26,254	26,475
Foreign currency translation adjustment	(3,795)	(779)
TOTAL STOCKHOLDERS' EQUITY	72,310	75,417
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$194,481	$205,043

See Notes to Consolidated Condensed Financial Statements

Consolidated Condensed Statements of Income
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended November 30		Six Months Ended November 30	
	1993	1992	1993	1992
Net Sales	$44,200	$41,214	$80,046	$77,807
Costs and Expenses:				
Cost of products sold	32,173	28,253	58,056	53,175
Selling, general and administrative expenses	9,544	9,246	18,418	17,941
Interest expense	1,891	1,928	3,753	3,864
Investment income	(663)	(545)	(1,664)	(1,009)
Other (income) expense, net	278	479	406	433
	43,223	39,361	78,969	74,404
Income before Income Taxes	977	1,853	1,077	3,403
Income Taxes	380	660	420	1,260
Net Income	$597	$1,193	$657	$2,143
Net Income per Share	$.05	$.11	$.06	$.19
Average Shares Outstanding	11,298	11,291	11,303	11,288

See Notes to Consolidated Condensed Financial Statements

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Consolidated Condensed Statements of Cash Flows
(in thousands)(unaudited)

	Six Months Ended November 30 1993	Six Months Ended November 30 1992
OPERATING ACTIVITIES		
Net income	$657	$2,143
Adjustments to reconcile income to cash used in operating activities:		
Depreciation	2,324	2,549
Amortization of intangibles and financing costs	467	642
Deferred income taxes	131	430
Common stock awards and contribution to employee stock ownership plan	130	146
Changes in current accounts, net of effects of acquisitions and currency translation		
Accounts receivable	(1,243)	1,384
Inventories	(2,376)	(2,407)
Other current assets	448	2,878
Accounts payable	(2,084)	(265)
Other liabilities	(3,710)	(1,971)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(5,256)	5,529
FINANCING ACTIVITIES		
Proceeds from borrowings	753	6,000
Payments on debt	(1,058)	(7,244)
Cash dividends	(877)	(874)
NET CASH USED IN FINANCING ACTIVITIES	(1,182)	(2,118)
INVESTING ACTIVITIES		
Investment activity, including income reinvestment	6,846	(1,218)
Capital expenditures	(687)	(876)
Other	(15)	(14)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	6,144	(2,108)
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(294)	1,303
Cash and equivalents at beginning of year	7,098	8,073
CASH AND EQUIVALENTS AT END OF PERIOD	$6,804	$9,376

See Notes to Consolidated Condensed Financial Statements

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q. In the opinion of management, all adjustments necessary for a fair presentation of the

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results of operations for the periods covered have been reflected in the aforementioned statements. Certain information and footnotes necessary for a fair presentation of the financial position and results of operations in conformity with generally accepted accounting principles have been omitted in accordance with the aforementioned instructions. It is suggested that the Consolidated Condensed Financial Statements be read in conjunction with the Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1993.

NOTE B -- INCOME TAXES

The income tax provision of $420,000 for the six months ended November 30, 1993 is based on the estimated effective tax rate of 39% for fiscal 1994 income. This rate differs from the applicable federal statutory rate of 34% principally as a result of state income taxes and foreign operating losses for which the related tax benefit will not be recognized until future foreign earnings are realized. The income tax provision of $1,260,000 for the six months ended November 30, 1992 was based on the estimated effective tax rate of 37%, as a result of state income taxes.

NOTE C -- DEBT AGREEMENTS

Prior to August 31, the Company entered into negotiations with its bank to amend the terms of its floating rate term loan agreements. The term loan due August 1994, which had a principal balance of $9,269,000 at August 31, was revised to require quarterly payments of $750,000, with a final balloon payment on August 14, 1994. The payment schedule for the term loan due June 1996 remained unchanged, requiring quarterly principal payments of $375,000. The interest rates on the loans were increased, and when adjusted for the effect of existing swap agreements, result in effective rates of 8.78% for the loan due August 1994 and 9.35% for the loan due June 1996. The interest rates may be reduced by as much as 1% in the future if the Company meets certain performance requirements.

Several changes were made to the financial and operating covenants of both loan agreements. The current maturities ratio test was eliminated, and the interest coverage ratio minimum was reduced from 1.5:1 to 1.1:1. A new leverage ratio has also been added, which restricts the Company's total funded debt to 62.5% of debt plus net worth. A new loan liquidity ratio will require that the Company maintain its cash and investment balances at a minimum of 75% of the outstanding principal balance of the loan due August 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net sales for the second quarter ended November 30, 1993 were $44,200,000, up 7.2% from last year's total of $41,214,000. Sales by the Company's Display Products Group increased 36% to $6,772,000, while sales by the Solid State & Components Group increased 28.4% to $10,403,000. Electron Device Group sales declined 3.9% to $24,200,000 and Security Systems Division sales declined 4.7% to $2,825,000. Six month sales totals were up 2.9%, to $80,046,000 from $77,807,000.

On a geographic basis, all four of the Company's regions experienced sales gains for the second quarter over the same period last year. North American sales were up 6.1% for the quarter, and 4.3% year to date. Sales for the Latin America / Far East region were up 13.9% for the quarter and 4.7% year to date. While the Europe region and the Rapidly Developing Markets region both experienced second quarter increases of more than 5% over last year, they remain slightly below last year for the first half.

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Gross margins for the second quarter declined to 27.2% from 31.4% in the prior year. The main cause of the margin decline was an increase in manufacturing underabsorption, which grew to $1,492,000 from $490,000 a year ago. The gross margins also reflect changes in product mix, which caused product margins on distribution sales to decline to 32.2% from 34.1%. Gross margins for the six month periods declined to 27.5% from 31.7% for the same reasons. First half underabsorption increased to $3,117,000 from $906,000, while product margin on distribution sales fell to 32.8% from 34.4%.

Selling, general, and administrative expenses for the first half of fiscal 1994 were $18,418,000, an increase of $477,000 from the prior year, as payroll additions for the specialty sales program were partially offset by expense reductions. Selling expense as a percent of sales was constant at 23%. Investment income for the first half increased to $1,664,000 from $1,009,000 for the first half last year due to an increase in realized capital gains.

The estimated fiscal 1994 effective tax rate of 39% differs from the federal statutory rate of 34%, primarily as the result of state income taxes and foreign operating losses for which the related tax benefit will not be recognized until future earnings are realized. The fiscal 1993 effective tax rate of 37%, differs from the statutory rate as a result of state income taxes.

Net income per share in the second quarter of fiscal 1994 and 1993 was $.05 and $.11, respectively. Net income per share for the six month periods declined to $.06 from $.19.

Liquidity and Capital Resources

Cash (used in) provided by operating activity, after working capital requirements, for the six months ended November 30, 1993 and 1992, was $(5,256,000) and $5,529,000, respectively The current year result includes U.S. federal income tax payments of $2.6 million, while the prior year included a $3 million tax refund received. The remainder of the change in cash from operations reflects lower net income and changes in accounts receivable and accounts payable balances. Anticipated funds from operations and current short-term financing arrangements are expected to be adequate to meet the operational needs and future dividends of the Company.

In the first quarter of fiscal 1994, the final payment of the term loan due August 1994 was reclassified to current portion of long term debt. As a result, bank loan repayments totalling $12,476,000 are due within the next twelve months.

The term loan agreements issued by the bank contain various financial and operating covenants which have been revised as described in Note C to the condensed financial statements. The most significant of these covenants places a restriction on a portion of the Company's cash and investment balances and limits the Company's total funded debt.

In connection with the December 1986 debt issuance, certain restrictions were placed on the Company relating to the purchase of treasury stock or the payment of cash dividends. At November 30, 1993, $22,324,000 was available for such transactions. Payment of dividends will be considered quarterly based upon corporate performance.

At November 30, 1993, the market value of the Company's non-current investment portfolio totaled approximately $22,600,000. Included in the portfolio are high-yield investments for which management periodically evaluates the associated market risk. The investments are being maintained for corporate

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purposes which may include short-term operating needs and the evaluation of opportunities for the Company's expansion.

ITEM II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No material developments have occurred in the matter reported under the category "Legal Proceedings" in the Registrant's Report on Form 10-K for the fiscal year ended May 31, 1993. The case remains in the discovery stage and the court has not determined whether the matter may be maintained as a class action.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual meeting of stockholders held October 12, 1993, the following directors were elected. It was noted that of the proxies voting it was believed 345,788 shares are broker votes and such brokers held another 2,100 shares entitled to vote and such shares were not voted.

NAME	NUMBER OF AFFIRMATIVE VOTES	WITHHELD AUTHORITY
Edward J. Richardson	38,830,458	44,891
Dennis R. Gandy	38,829,922	45,427
David Gilden	38,829,751	45,598
Joel Levine	38,829,922	45,427
Leonard R. Prange	38,830,458	44,891
Arnold R. Allen	38,828,227	47,122
Kenneth N. Pontikes	38,830,458	44,891
Scott Hodes	38,830,348	45,001
Samuel Rubinovitz	38,830,348	45,001
Kenneth J. Douglas	38,829,651	45,698
Jacques Bouyer	38,829,926	45,423

Shares not voted 1,460,148 Common and 17,969 Class B

Votes not voted 1,639,838

ITEM 5. OTHER INFORMATION

See "Legal Proceedings" above.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None.

(b) Reports on Form 8-K - None.

SIGNATURES

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

RICHARDSON ELECTRONICS, LTD.

Date: January 13, 1994 By: /s/ Leonard R. Prange
Vice President and

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Chief Financial Officer

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