

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-28** | Period of Report: **1995-07-01**  
SEC Accession No. **0000950129-95-000837**

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### FILER

#### **KENT ELECTRONICS CORP**

CIK: **793024** | IRS No.: **741763541** | State of Incorpor.: **TX** | Fiscal Year End: **0328**  
Type: **10-Q** | Act: **34** | File No.: **001-09520** | Film No.: **95556873**  
SIC: **5065** Electronic parts & equipment, nec

Mailing Address  
7433 HARWIN DRIVE  
HOUSTON TX 77036-2015

Business Address  
7433 HARWIN DR  
HOUSTON TX 77036-2015  
7137807770

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 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 July 1, 1995

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 0-14643

KENT ELECTRONICS CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Texas 74-1763541

-----  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

7433 Harwin Drive, Houston, Texas 77036-2015

-----  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (713) 780-7770

Not applicable

-----  
Former name, former address and former fiscal year, if changed since last report.

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   
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At July 27, 1995, 9,828,420 shares of common stock, no par value, are issued and outstanding.

KENT ELECTRONICS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

	July 1, 1995	April 1, 1995
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including temporary investments of \$10,805,000 at July 1 and \$6,395,000 at April 1).....	\$ 5,429,000	\$ 4,434,000
Trading securities, net.....	16,907,000	16,833,000
Accounts receivable, less allowance of \$1,052,000 at July 1 and \$979,000 at April 1	34,713,000	33,964,000

Inventories		
Materials and purchased products.....	34,661,000	30,080,000
Work in process.....	3,278,000	3,039,000
	-----	-----
	37,939,000	33,119,000
Prepaid expenses and other.....	2,533,000	2,778,000
	-----	-----
Total current assets.....	97,521,000	91,128,000
PROPERTY AND EQUIPMENT		
Land.....	7,111,000	7,090,000
Buildings.....	8,669,000	6,697,000
Furniture, fixtures and equipment.....	27,073,000	26,206,000
Leasehold improvements.....	1,458,000	1,363,000
	-----	-----
	44,311,000	41,356,000
Less accumulated depreciation and amortization	(14,402,000)	(13,621,000)
	-----	-----
	29,909,000	27,735,000
DEFERRED INCOME TAXES.....	813,000	838,000
OTHER ASSETS.....	1,064,000	1,022,000
COST IN EXCESS OF NET ASSETS ACQUIRED, less accumulated amortization of \$1,720,000 at July 1 and \$1,629,000 at April 1.....	13,076,000	13,167,000
	-----	-----
	\$142,383,000	\$133,890,000
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

2

3

KENT ELECTRONICS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<TABLE>		
<CAPTION>		
	July 1, 1995	April 1, 1995
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable.....	\$ 17,161,000	\$ 15,479,000
Accrued compensation.....	3,661,000	4,579,000
Other accrued liabilities.....	4,010,000	3,057,000
Income taxes.....	3,214,000	1,694,000
	-----	-----
Total current liabilities.....	28,046,000	24,809,000
LONG-TERM DEBT.....	----	----
LONG-TERM LIABILITIES.....	528,000	281,000
STOCKHOLDERS' EQUITY		
Preferred stock, \$1 par value; authorized 2,000,000 shares; none issued.....	----	----
Common stock, no par value; authorized 30,000,000 shares; issued and outstanding, 9,812,818 shares at July 1 and 9,804,743 shares at April 1.....	34,836,000	34,743,000
Additional paid-in capital.....	25,451,000	25,214,000
Retained earnings.....	53,522,000	48,843,000
	-----	-----
	113,809,000	108,800,000
	-----	-----

</TABLE>

The accompanying notes are an integral part of these statements.

KENT ELECTRONICS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited)

<TABLE>  
<CAPTION>

	Thirteen Weeks Ended	
	July 1, 1995	July 2, 1994
<S>	<C>	<C>
Net sales.....	\$77,585,000	\$56,527,000
Cost of sales.....	57,612,000	42,003,000
Gross profit.....	19,973,000	14,524,000
Selling, general and administrative expenses.....	12,675,000	10,070,000
Operating profit.....	7,298,000	4,454,000
Other income (expense)		
Interest expense.....	(5,000)	(5,000)
Other - net.....	505,000	155,000
Earnings before income taxes.....	7,798,000	4,604,000
Income taxes.....	3,119,000	1,773,000
NET EARNINGS.....	\$ 4,679,000	\$ 2,831,000
Earnings per share.....	\$ .45	\$ .28
Weighted average shares.....	10,306,200	10,013,400

</TABLE>

The accompanying notes are an integral part of these statements.

KENT ELECTRONICS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

<TABLE>  
<CAPTION>

	Thirteen Weeks Ended	
	July 1, 1995	July 2, 1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings.....	\$ 4,679,000	\$2,831,000

Adjustments to reconcile net earnings to net cash provided by operating activities

Depreciation and amortization.....	906,000	911,000
Provision for losses on accounts receivable..	73,000	50,000
Loss on sale of property, plant and equipment	3,000	--
Stock option expense.....	237,000	201,000
Provision for unrealized gains on trading securities.....	(74,000)	--
Provision for unrealized losses on short-term investments.....	--	135,000
Change in assets and liabilities		
(Increase) decrease in accounts receivable.	(822,000)	1,673,000
Increase in inventories.....	(4,820,000)	(5,412,000)
Decrease in prepaid expenses and other....	245,000	212,000
Increase in other assets.....	(55,000)	(18,000)
Decrease in deferred income taxes.....	25,000	25,000
Increase (decrease) in accounts payable....	1,682,000	(1,457,000)
Decrease in accrued compensation.....	(918,000)	(144,000)
Increase in other accrued liabilities.....	953,000	554,000
Increase in income taxes.....	1,520,000	1,100,000
Increase in long-term liabilities.....	247,000	--
	-----	-----
Total adjustments.....	(798,000)	(2,170,000)
	-----	-----
Net cash provided by operating activities.....	\$ 3,881,000	\$ 661,000

</TABLE>

(Continued)

5

6

KENT ELECTRONICS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

<TABLE>  
<CAPTION>

	Thirteen Weeks Ended	
	July 1, 1995	July 2, 1994
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures.....	\$ (2,986,000)	\$ (1,138,000)
Net purchases of short-term investments.....	--	125,000
Proceeds from sale of property, plant and equipment.....	7,000	--
	-----	-----
Net cash used by investing activities.....	(2,979,000)	(1,013,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term obligations.....	--	--
Issuance of common stock.....	93,000	135,000
	-----	-----
Net cash provided by financing activities.....	93,000	135,000
	-----	-----
NET INCREASE (DECREASE) IN CASH.....	995,000	(217,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD..	4,434,000	11,382,000
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 5,429,000	\$11,165,000
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for		
Interest.....	\$ --	\$ --
Income taxes.....	\$ 1,574,000	\$ 648,000

</TABLE>

The accompanying notes are an integral part of these statements.

6

7

KENT ELECTRONICS CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies

The consolidated balance sheet as of July 1, 1995, and the related consolidated statements of earnings and cash flows for the thirteen week periods ended July 1, 1995 and July 2, 1994, have been prepared by the Company without audit. In the opinion of management, the financial statements include all adjustments necessary for a fair presentation. All adjustments made were of a normal recurring nature. Interim results are not necessarily indications of results for a full year. For further financial information, refer to the audited financial statements of the Company and notes thereto for the fiscal year ended April 1, 1995, included in the Company's Form 10-K for that period.

Sales To Major Customers

For the thirteen weeks ended July 1, 1995, sales to two customers represented 12.8% and 12.2% of net sales. One customer represented 10.3% of net sales for the thirteen weeks ended July 2, 1994.

7

8

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

Results of Operations

Net sales for the thirteen weeks ended July 1, 1995 increased \$21,058,000, or 37.3%, when compared to the same period of the prior year. The sales increase was attributable to increased demand from existing customers and an expanding customer base.

Gross profit increased \$5,449,000, or 37.5%, compared to the corresponding period a year ago. Gross profit as a percentage of sales for the period was 25.7%, remaining the same as the corresponding period of the previous year. Although gross margins have stabilized, highly competitive conditions continue in the electronics and personal computer industries. The increase in gross profit was primarily due to increased sales.

Selling, general and administrative ("SG&A") expenses increased \$2,605,000, or 25.9%, compared to the same period last year. However, as a percentage of sales, such expenses declined to 16.3% from 17.8% in the prior year period. The decline as a percentage of sales reflects the Company's continued focus on cost containment to reduce such expenses as a percentage of sales. The increase in SG&A expenses was primarily due to the expenses necessary to support the growth in the Company's existing operations.

Other-net consists principally of interest and dividend income generated by cash, cash equivalents and trading securities. The increase in interest and dividend income is due primarily to higher interest rates and a reduction of unrealized losses on trading securities.

Net earnings increased \$1,848,000, or 65.3%, compared to the corresponding period a year ago. The additional profit from the increased sales and the Company's continued focus on cost containment were the primary reasons for the improved profitability.

## Liquidity and Capital Resources

Working capital at July 1, 1995 was \$69,475,000, an increase of \$3,156,000 from April 1, 1995.

Included in the Company's working capital at July 1, 1995 are investments of \$27,712,000. The Company's investment strategy is low-risk and short-term, keeping the funds readily available to meet capital requirements as they arise in the normal course of business. The Company's primary investment vehicle is a managed fund consisting primarily of taxable, high quality corporate debt instruments, and is compatible with the Company's stated investment strategy.

The Company intends to apply its capital resources to expand its business by establishing or acquiring similar distribution and manufacturing operations in geographic areas that are attractive to the Company, by acquiring new facilities and by enlarging or improving existing facilities. In addition to the capital required to purchase existing businesses or to fund start-up operations, the expansion of the Company's operations at both new and existing locations will require greater levels of capital to finance the purchase of additional equipment, increased levels of inventory and greater accounts receivable.

The Company is currently expanding its manufacturing capacity by building a new facility on a recently purchased 66-acre parcel of land in Sugar Land, Texas. Facility construction and equipment will require capital expenditures in this fiscal year, currently estimated at \$14 million, of which approximately \$2 million has been spent, with the remainder of the project to be completed in this fiscal year. Management believes that current resources, along with funds generated from operations, should be sufficient to meet its current capital requirements and those anticipated this fiscal year. The Company currently plans to raise additional funds through a registered offering of common stock primarily for the construction of additional new manufacturing and distribution facilities.

## PART II - OTHER INFORMATION

Items 1, 2, 3, and 5 are not applicable and have been omitted.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company held its Annual Meeting of Shareholders on June 29, 1995. At such meeting, Messrs. Max S. Levit and Richard C. Webb were elected to serve as directors of the Company for the next three years. The other directors of the Company, Messrs. Morrie K. Abramson, David Siegel and Alvin L. Zimmerman, continued in their terms as directors after the meeting. In addition, shareholders adopted stock option plans and agreements for the Company's Executive Vice President of Sales-Distribution, Executive Vice President of Operations-Distribution and the Vice President, Secretary and Treasurer. The appointment of Grant Thornton LLP as the Company's independent public accountants for the fiscal year ending March 30, 1996 was ratified.

<TABLE>  
<CAPTION>

Proposal -----	Votes For -----	Votes Against or Withheld Authority -----	Votes Abstained -----	Broker Non-Votes -----
<S>	<C>	<C>	<C>	<C>
1. Election of Directors: Max S. Levit	8,194,624	35,091	0	0

Richard C. Webb	8,208,573	21,142	0	0
2. Adoption of a stock option plan and agreement for the Company's Executive Vice President of Sales-Distribution.	5,948,519	2,226,975	54,221	0
3. Adoption of a stock option plan and agreement for the Company's Executive Vice President of Operations-Distribution.	5,945,790	2,231,210	52,715	0

</TABLE>

10

11

<TABLE>  
<CAPTION>

Proposal	Votes For	Votes Against or Withheld Authority	Votes Abstained	Broker Non-Votes
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
4. Adoption of a stock option plan and agreement for the Company's Vice President, Secretary and Treasurer.	5,950,433	2,226,471	52,811	0
5. Ratification of the appointment of Grant Thornton LLP as the Company's independent public accountants for the fiscal year ending March 30, 1996.	8,203,009	9,960	16,746	0

</TABLE>

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibits:
  - 11 - Statement re computation of per share earnings.
  - 27 - Financial Data Schedule (filed only in electronic format).
- (b) Reports on Form 8-K:
  - Not applicable.

11

12

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.

KENT ELECTRONICS CORPORATION

-----  
(Registrant)

Date: July 28, 1995  
-----

By: /s/ Morrie K. Abramson  
-----

Morrie K. Abramson  
Chairman of the Board, Chief  
Executive Officer and President  
(Principal Executive Officer)

Date: July 28, 1995  
-----

By: /s/ Stephen J. Chapko  
-----

Stephen J. Chapko  
Vice President, Treasurer and  
Secretary (Principal Financial  
Officer and Principal  
Accounting Officer)

12

13

#### EXHIBIT INDEX

Exhibit numbers are in accordance with the  
Exhibit Table in Item 601 of Regulation S-K

<TABLE> <CAPTION> Exhibit No. -----	Exhibit Description -----
<S> 11	<C> Statement re computation of per share earnings
27	Financial Data Schedule (filed only in electronic format)

</TABLE>

## EXHIBIT 11

KENT ELECTRONICS CORPORATION AND SUBSIDIARIES  
 COMPUTATION OF EARNINGS PER SHARE

<TABLE>  
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	Thirteen Weeks Ended			
	July 1, 1995		July 2, 1994	
	Primary	Fully Diluted	Primary	Fully Diluted
<S>	<C>	<C>	<C>	<C>
Net earnings . . . . .	\$ 4,679,000 =====	\$ 4,679,000 =====	\$2,831,000 =====	\$2,831,000 =====
Weighted average number of common shares outstanding . . . . .	9,807,900	9,807,900	9,692,900	9,692,900
Excess of shares issuable upon exercise of stock options over shares deemed retired utilizing the treasury stock method . . . . .	498,300 ----- 10,306,200 =====	597,700 ----- 10,405,600 =====	320,500 ----- 10,013,400 =====	360,600 ----- 10,053,500 =====
Earnings per share . . . . .	\$ .45 =====	\$ .45 =====	\$ .28 =====	\$ .28 =====

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<CIK> 0000793024

<NAME> KENT ELECTRONICS CORP.

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<PERIOD-END>	JUL-01-1995
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