

RICHARDSON ELECTRONICS LTD/DE
Form 10-Q
October 09, 2008
Table of Contents

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 August 30, 2008

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
(State or other jurisdiction of incorporation or organization)

36-2096643
(I.R.S. Employer Identification No.)

40W267 Keslinger Road, P.O. Box 393 LaFox, Illinois 60147-0393
(Address of principal executive offices)

Registrant's telephone number, including area code: (630) 208-2200

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 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 (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 No

As of October 6, 2008, there were outstanding 14,865,370 shares of Common Stock, \$0.05 par value and 3,048,258 shares of Class B Common Stock, \$0.05 par value, which are convertible into Common Stock of the registrant on a share for share basis.

Table of Contents

TABLE OF CONTENTS

	Page
Part I. <u>Financial Information</u>	
Item 1. <u>Financial Statements</u>	2
<u>Unaudited Condensed Consolidated Balance Sheets</u>	2
<u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)</u>	3
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	4
<u>Unaudited Condensed Consolidated Statement of Stockholders' Equity</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	27
Part II. <u>Other Information</u>	
Item 1. <u>Legal Proceedings</u>	28
Item 1A. <u>Risk Factors</u>	28
Item 5. <u>Other Information</u>	28
Item 6. <u>Exhibits</u>	28
<u>Signatures</u>	29
<u>Exhibit Index</u>	30

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Richardson Electronics, Ltd.****Unaudited Condensed Consolidated Balance Sheets***(in thousands, except per share amounts)*

	August 30, 2008	May 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,067	\$ 40,042
Receivables, less allowance of \$1,807 and \$1,635	105,805	109,520
Inventories	100,090	93,858
Prepaid expenses	5,761	4,300
Deferred income taxes	2,135	2,121
Total current assets	250,858	249,841
Non-current assets:		
Property, plant and equipment, net	27,472	28,635
Goodwill	1,534	1,483
Other intangible assets, net	699	758
Non-current deferred income taxes	3,534	3,875
Assets held for sale	106	105
Other non-current assets	1,451	1,538
Total non-current assets	34,796	36,394
Total assets	\$ 285,654	\$ 286,235
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 62,038	\$ 58,860
Accrued liabilities	20,109	21,818
Current portion of long-term debt		
Total current liabilities	82,147	80,678
Non-current liabilities:		
Long-term debt, less current portion	55,683	55,683
Long-term income tax liabilities	6,311	6,768
Other non-current liabilities	1,529	1,676
Total non-current liabilities	63,523	64,127
Total liabilities	145,670	144,805

Edgar Filing: RICHARDSON ELECTRONICS LTD/DE - Form 10-Q

Commitments and contingencies

Stockholders equity

Common stock, \$0.05 par value; issued 15,930 shares at August 30, 2008, and 15,929 shares at May 31, 2008	797	797
Class B common stock, convertible, \$0.05 par value; issued 3,048 shares at August 30, 2008, and May 31, 2008	152	152
Preferred stock, \$1.00 par value, no shares issued		
Additional paid-in-capital	119,838	119,735
Common stock in treasury, at cost, 1,065 shares at August 30, 2008, and May 31, 2008	(6,310)	(6,310)
Retained earnings	14,439	11,098
Accumulated other comprehensive income	11,068	15,958
Total stockholders equity	139,984	141,430
Total liabilities and stockholders equity	\$ 285,654	\$ 286,235

Table of Contents**Richardson Electronics, Ltd.****Unaudited Condensed Consolidated Statements of Operations****and Comprehensive Income (Loss)***(in thousands, except per share amounts)*

	Three Months Ended	
	August 30, 2008	September 1 2007
Statements of Operations		
Net sales	\$ 138,947	\$ 129,465
Cost of sales	106,228	96,827
Gross profit	32,719	32,638
Selling, general, and administrative expenses	28,184	29,966
Loss on disposal of assets	75	1
Operating income	4,460	2,671
Other (income) expense:		
Interest expense	1,176	2,628
Investment income	(207)	(371)
Foreign exchange (gain) loss	(998)	444
Other, net	(76)	47
Total other (income) expense	(105)	2,748
Income (loss) from continuing operations before income taxes	4,565	(77)
Income tax provision	872	314
Income (loss) from continuing operations	3,693	(391)
Income from discontinued operations, net of tax		31
Net income (loss)	\$ 3,693	\$ (360)
Net income (loss) per common share basic:		
Income (loss) from continuing operations	\$ 0.21	\$ (0.02)
Income from discontinued operations	0.00	0.00
Net income (loss) per common share basic	\$ 0.21	\$ (0.02)
Net income (loss) per Class B common share basic:		
Income (loss) from continuing operations	\$ 0.19	\$ (0.02)
Income from discontinued operations	0.00	0.00
Net income (loss) per Class B common share basic	\$ 0.19	\$ (0.02)
Net income (loss) per common share diluted:		
Income (loss) from continuing operations	\$ 0.20	\$ (0.02)
Income from discontinued operations	0.00	0.00

Edgar Filing: RICHARDSON ELECTRONICS LTD/DE - Form 10-Q

Net income (loss) per common share diluted	\$ 0.20	\$ (0.02)
Net income (loss) per Class B common share diluted:		
Income (loss) from continuing operations	\$ 0.18	\$ (0.02)
Income from discontinued operations	0.00	0.00
Net income (loss) per Class B common share diluted	\$ 0.18	\$ (0.02)
Weighted average number of shares:		
Common shares - basic	14,854	14,840
Class B common shares - basic	3,048	3,048
Common shares - diluted	18,981	14,840
Class B common shares - diluted	3,048	3,048
Dividends per common share	\$ 0.020	\$ 0.040
Dividends per Class B common share	\$ 0.018	\$ 0.036
Statements of Comprehensive Income (Loss)		
Net income (loss)	\$ 3,693	\$ (360)
Foreign currency translation	(4,847)	746
Fair value adjustments on investments	(43)	(236)
Comprehensive income (loss)	\$ (1,197)	\$ 150

Table of Contents**Richardson Electronics, Ltd.****Unaudited Condensed Consolidated Statements of Cash Flows***(in thousands)*

	Three Months Ended	
	August 30, 2008	September 1, 2007
Operating activities:		
Net income (loss)	\$ 3,693	\$ (360)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	1,209	1,315
Loss on disposal of assets	75	1
Write-off of deferred financing costs		643
Stock compensation expense	98	98
Deferred income taxes	191	(778)
Accounts receivable	1,154	8,857
Inventories	(7,598)	(6,563)
Prepaid expenses	(1,257)	639
Accounts payable	3,849	8,686
Accrued liabilities	(1,646)	(5,822)
Other liabilities	(99)	(7)
Other	(632)	(785)
Net cash provided by (used in) operating activities	(963)	5,924
Investing activities:		
Capital expenditures	(129)	(1,578)
Proceeds from sale of assets	22	41
Contingent purchase price consideration	(53)	
(Gain) loss on sale of investments	(14)	8
Proceeds from sales of available-for-sale securities	59	157
Purchases of available-for-sale securities	(59)	(157)
Net cash used in investing activities	(174)	(1,529)
Financing activities:		
Proceeds from borrowings	10,300	45,800
Payments on debt	(10,300)	(107,240)
Restricted cash		61,899
Proceeds from issuance of common stock	5	69
Cash dividends	(352)	(702)
Net cash used in financing activities	(347)	(174)
Effect of exchange rate changes on cash and cash equivalents	(1,491)	