

FREQUENCY ELECTRONICS INC
Form 10-Q
March 17, 2014

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, 2014

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
(do not check if a smaller Company
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 10, 2014 – 8,552,456

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Balance Sheets

	January 31, 2014	April 30, 2013
	(UNAUDITED)	
	(In thousands except par value)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$8,561	\$3,460
Marketable securities	14,071	18,270
Accounts receivable, net of allowance for doubtful accounts of \$326 at January 31, 2014 and \$288 at April 30, 2013	12,124	7,781
Costs and estimated earnings in excess of billings, net	3,857	8,617
Inventories	42,076	37,521
Prepaid and deferred income taxes	4,036	3,850
Prepaid expenses and other	1,335	1,517
Total current assets	86,060	81,016
Property, plant and equipment, at cost, less accumulated depreciation and amortization	10,193	8,316
Deferred income taxes	6,479	6,320
Goodwill and other intangible assets	712	781
Cash surrender value of life insurance and cash held in trust	11,213	10,763
Other assets	1,718	1,713
Total assets	\$116,375	\$108,909
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Short-term credit obligations	\$-	\$158
Accounts payable - trade	940	1,205
Accrued liabilities	6,604	7,964
Total current liabilities	7,544	9,327
Long term debt- noncurrent	10,100	6,000
Deferred compensation	10,592	10,374
Deferred rent and other liabilities	717	756
Total liabilities	28,953	26,457
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	52,916	51,913
Retained earnings	23,947	20,662
	86,027	81,739
Common stock reacquired and held in treasury – at cost (614 shares at January 31, 2014 and 701 shares at April 30, 2013)	(2,810) (3,200
Accumulated other comprehensive income	4,205	3,913

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Total stockholders' equity	87,422	82,452
Total liabilities and stockholders' equity	\$116,375	\$108,909

See accompanying notes to condensed consolidated financial statements.

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Income and Comprehensive Income
Nine Months Ended January 31,
(Unaudited)

Condensed Consolidated Statements of Income	2014	2013
	(In thousands except per share data)	
Revenues	\$52,052	\$51,391
Cost of revenues	33,443	31,928
Gross margin	18,609	19,463
Selling and administrative expenses	10,534	10,883
Research and development expense	4,589	3,731
Operating profit	3,486	4,849
Other income (expense):		
Investment income	775	509
Interest expense	(120)	(156)
Other income (expense), net	714	(73)
Income before provision for income taxes	4,855	5,129
Provision for income taxes	1,570	1,400
Net income	\$3,285	\$3,729
Net income per common share		
Basic	\$0.39	\$0.44
Diluted	\$0.37	\$0.43
Weighted average shares outstanding		
Basic	8,516	8,401
Diluted	8,806	8,584
Condensed Consolidated Statements of Comprehensive Income		
Net income	\$3,285	\$3,729
Other comprehensive income:		
Foreign currency translation adjustment	990	46
Change in market value of marketable securities	(1,104)	282
Deferred tax effect of change in marketable securities	406	(103)
Total other comprehensive income	292	225
Comprehensive income	\$3,577	\$3,954

See accompanying notes to condensed consolidated financial statements.

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Income and Comprehensive Income
Three Months Ended January 31,
(Unaudited)

Condensed Consolidated Statements of Income	2014	2013
	(In thousands except per share data)	
Revenues	\$18,218	\$17,137
Cost of revenues	12,107	10,387
Gross margin	6,111	6,750
Selling and administrative expenses	3,488	3,887
Research and development expense	1,363	1,113
Operating profit	1,260	1,750
Other income (expense):		
Investment income	425	190
Interest expense	(25)	(53)
Other expense, net	(22)	(67)
Income before provision for income taxes	1,638	1,820
Provision for income taxes	420	300
Net income	\$1,218	\$1,520
Net income per common share		
Basic	\$0.14	\$0.18
Diluted	\$0.14	\$0.18
Weighted average shares outstanding		
Basic	8,537	8,424
Diluted	8,857	8,604
Condensed Consolidated Statements of Comprehensive Income		
Net income	\$1,218	\$1,520
Other comprehensive (loss) income:		
Foreign currency translation adjustment	172	191
Change in market value of marketable securities	(374)	(87)
Deferred tax effect of change in marketable securities	126	31
Total other comprehensive (loss) income	(76)	135
Comprehensive income	\$1,142	\$1,655

See accompanying notes to condensed consolidated financial statements.

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Nine Months Ended January 31,
(Unaudited)

	2014	2013
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 3,285	\$ 3,729
Non-cash charges to earnings, net	3,779	3,843
Gain on sale of equipment	(736)	-
Net changes in operating assets and liabilities	(5,634)	(4,347)
Net cash provided by operating activities	694	3,225
Cash flows from investing activities:		
Proceeds from sale of marketable securities	4,993	2,509
Purchase of marketable securities	(1,602)	(1,004)
Purchase of fixed assets	(3,560)	(1,608)
Net cash used in investing activities	(169)	(103)
Cash flows from financing activities:		
Proceeds from credit line borrowings	4,100	4,000
Payment of lease and short-term credit obligations	(15)	(5,311)
Payment of cash dividend	-	(1,684)
Tax benefit from exercise of stock-base compensation	222	-
Exercise of stock options	-	20
Net cash provided by (used in) financing activities	4,307	(2,975)
Net increase in cash and cash equivalents before effect of exchange rate changes	4,832	147