FREQUENCY ELECTRONICS INC Form 10-Q March 17, 2014

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 January 31, 2014

OR

oTRANSITION 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.)

11553

(Zip Code)

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, N.Y. (Address of principal executive offices)

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 x No o

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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 x No o

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 o Accelerated filer o

Non-accelerated filer o Smaller Reporting (do not check if a smaller Company x reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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

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

ASSETS: (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 14,071 18,270 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 Propeyid expenses and other 10,193 8,316 Deferred income taxes 6,479 6,320 Goodwill and other intangible assets 712 781 Cash surender value of life insurance and cash held in trust 11,213 10,763 Other assets 1,718 1,713 12 IABILITIES AND STOCKHOLDERS' EQUITY: Uurrent liabilities 5,158 Courent liabilities 7,544 9,327 <th></th> <th>January 31, 2014 (UNAUDITEI</th> <th>April 30, 2013</th>		January 31, 2014 (UNAUDITEI	April 30, 2013
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 44,036 3,850 Prepaid and deferred income taxes 44,036 3,850 Prepaid and deferred income taxes 886,060 81,016 Property, plant and equipment, at cost, less accumulated depreciation and amortization 10,193 8,316 Deferred income taxes 6,4479 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 11,718 1,713 Total assets \$116,375 \$108,909 LIABILITTES AND STOCKHOLDERS' EQUITY: Current liabilities: Short-term credit obligations \$- \$158 Accounts payable - trade 940 1,205 Accounts payable - trade 940 1,205 Accounts payable - trade 940 1,205 Accounts payable - trade 7,944 Total current liabilities 7,544 9,327 Commitments and contingencies Stockholders' equity: Preferred stock \$1.00 par value 0,164 4,464 Additional paid-in capital 52,916 51,913 Retained earnings 23,947 20,662 Stockholders' equity: Preferred stock \$1.00 par value, issued 9,164 4,8627 81,739 Common stock reacquired and held in treasury – at cost (614 shares at Japril 30, 2013) (2,810) (3,200)			
Cash and cash equivalents \$8,561 \$3,460 Marketable securities 14,071 18,270 Accounts receivable, net of allowance for doubtful accounts	ASSETS:	~	
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 expenses and other 1,335 1,517 Total current assets 86,060 81,016 Prepaid expenses and other 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 5- \$158 Account payable - trade 940 1,205 Accured liabilities 7,544 9,327 Long term debt-noncurrent 10,100 6,000 Deferred ent and oth	Current assets:		
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Costs and estimated earnings in excess of billings, net 3,857 8,617 Inventories 42,076 37,521 Prepaid expenses and other 1,335 1,517 Total current assets 86,060 81,016 Property. plant and equipment, at cost, 86,060 81,016 Property. plant and equipment, at cost, 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 \$116,375 \$108,909 LIABILITIES AND STOCKHOLDERS' EQUITY: V V Current liabilities: \$- \$158 Accounts payable - trade 940 1,205 Accrued liabilities 5,664 7,964 Total current inabilities 7,544 9,327 Long term debt - noncurrent 10,100 6,000 Deferred compensation 10,592 10,374 Deferred contens and contingencies 717 756 Total	Accounts receivable, net of allowance for doubtful accounts		
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,	of \$326 at January 31, 2014 and \$288 at April 30, 2013	12,124	7,781
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 \$116,375 \$108,909 LIABLLTIES AND STOCKHOLDERS' EQUITY: Current liabilities: \$116,375 \$108,909 Current liabilities: \$- \$158 Accounts payable - trade 940 1,205 Accounts payable - trade 940 1,205 Account accurrent liabilities 7,544 9,327 Long term debt- noncurrent 10,100 6,000 Deferred compensation 10,592 10,374 Deferred compensation 10,592 10,374 Deferred trand other liabilities 28,953 26,457 Commitments and contingencies Stockholders' equity: - - -	Costs and estimated earnings in excess of billings, net	3,857	8,617
Prepaid expenses and other 1,335 1,517 Total current assets 86,060 81,016 Property, plant and equipment, at cost,	Inventories	42,076	37,521
Total current assets 86,060 81,016 Property, plant and equipment, at cost,	Prepaid and deferred income taxes	4,036	3,850
Property, plant and equipment, at cost, less accumulated depreciation and amortization10,1938,316Deferred income taxes6,4796,320Goodwill and other intangible assets712781Cash surrender value of life insurance and cash held in trust11,21310,763Other assets1,7181,713Total assets\$116,375\$108,909LIABILITIES AND STOCKHOLDERS' EQUITY:Current liabilities:\$-\$158Short-term credit obligations\$-\$158Accounts payable - trade9401,205Accrued liabilities6,6047,964Total current liabilities7,5449,327Long term debt - noncurrent10,1006,000Deferred compensation10,59210,374Deferred rent and other liabilities717756Total liabilities28,95326,457Commitments and contingencies28,95326,457Commitments and contingencies9,1649,164Additional paid-in capital52,91651,913Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings23,94720,662Retained earnings <td>Prepaid expenses and other</td> <td>1,335</td> <td>1,517</td>	Prepaid expenses and other	1,335	1,517
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: \$- \$158 Short-term credit obligations \$- \$158 Accounts payable - trade 940 1,205 Accrued liabilities 7,544 9,327 Long term debt- noncurrent 10,100 6,000 Deferred rent and other liabilities 7,544 9,327 Long term debt- noncurrent 10,100 6,000 Deferred rent and other liabilities 717 756 Total liabilities 717 756 Total biblities 28,953 26,457 Commitments and contingencies 28,953 26,457 Stockholders' equity: -	Total current assets	86,060	81,016
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: S \$158 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 52,916 51,913 Stockholders' equity: Freferred stock-\$1.00 par value, issued 9,164 shares 9,164 9,164 Additional paid-in capital 52,916 51,913 86,027	Property, plant and equipment, at cost,		
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: S \$158 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 52,916 51,913 Stockholders' equity: Freferred stock-\$1.00 par value, issued 9,164 shares 9,164 9,164 Additional paid-in capital 52,916 51,913 86,027	less accumulated depreciation and amortization	10,193	8,316
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 717 756 Commitments and contingencies 28,953 26,457 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 <t< td=""><td></td><td>6,479</td><td>6,320</td></t<>		6,479	6,320
Other assets 1,718 1,713 Total assets \$116,375 \$108,909 LIABILITIES AND STOCKHOLDERS' EQUITY:	Goodwill and other intangible assets	712	781
Total assets \$116,375 \$108,909 LIABILITIES AND STOCKHOLDERS' EQUITY:	Cash surrender value of life insurance and cash held in trust	11,213	10,763
LIABILITIES AND STOCKHOLDERS' EQUITY:Current liabilities:Short-term credit obligations\$-\$158Accounts payable - trade9401,205Accrued liabilities6,6047,964Total current liabilities7,5449,327Long term debt- noncurrent10,1006,000Deferred compensation10,59210,374Deferred rent and other liabilities717756Total liabilities28,95326,457Commitments and contingencies	Other assets	1,718	1,713
Current liabilities: \$- \$158 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 52,916 51,913 Stockholders' equity: - - Preferred 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 20,662 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)	Total assets	\$116,375	\$108,909
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	LIABILITIES AND STOCKHOLDERS' EQUITY:		
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	Current liabilities:		
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 28,953 26,457 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)	Short-term credit obligations	\$ -	\$158
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 28,953 26,457 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)	Accounts payable - trade	940	1,205
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 28,953 26,457 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 20,662 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)	Accrued liabilities	6,604	7,964
Deferred compensation10,59210,374Deferred rent and other liabilities717756Total liabilities28,95326,457Commitments and contingencies28,95326,457Stockholders' equity:Preferred stock- \$1.00 par valueCommon stock-\$1.00 par value, issued 9,164 shares9,1649,164Additional paid-in capital52,91651,913Retained earnings23,94720,66286,02781,739Common 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)	Total current liabilities	7,544	9,327
Deferred rent and other liabilities717756Total liabilities28,95326,457Commitments and contingenciesStockholders' equity:Preferred stock- \$1.00 par valueCommon stock-\$1.00 par value, issued 9,164 shares9,1649,164Additional paid-in capital52,91651,913Retained earnings23,94720,66286,02781,739Common stock reacquired and held in treasury – at cost (614 shares at January 31, 2014 and 701 shares at April 30, 2013)(2,810)(2,810)(3,200)	Long term debt- noncurrent	10,100	6,000
Total liabilities28,95326,457Commitments and contingenciesStockholders' equity:Preferred stock- \$1.00 par valueCommon stock-\$1.00 par value, issued 9,164 shares9,1649,164Additional paid-in capital52,91651,913Retained earnings23,94720,66286,02781,739Common stock reacquired and held in treasury – at cost (614 shares at January 31, 2014 and 701 shares at April 30, 2013)(2,810)(2,810)(3,200)	Deferred compensation	10,592	10,374
Commitments and contingenciesStockholders' equity:Preferred stock- \$1.00 par valueCommon stock-\$1.00 par value, issued 9,164 shares9,1649,1649,1649,1649,16452,91651,913Retained earnings23,94720,66286,02781,739Common 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)	Deferred rent and other liabilities	717	756
Stockholders' equity:Preferred stock- \$1.00 par value-Common stock-\$1.00 par value, issued 9,164 shares9,164Additional paid-in capital52,916Retained earnings23,94720,66286,02781,739Common stock reacquired and held in treasury – at cost (614 shares at January 31, 2014 and 701 shares at April 30, 2013)(2,810(2,810(3,200	Total liabilities	28,953	26,457
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	Commitments and contingencies		
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	Stockholders' equity:		
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	Preferred stock- \$1.00 par value	-	-
Retained earnings 23,947 20,662 86,027 81,739 Common stock reacquired and held in treasury – 4 at cost (614 shares at January 31, 2014 and 701 shares at April 30, 2013) (2,810) (3,200)	Common stock-\$1.00 par value, issued 9,164 shares	9,164	9,164
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	Additional paid-in capital	52,916	51,913
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)	Retained earnings	23,947	20,662
at cost (614 shares at January 31, 2014 and 701 shares at April 30, 2013) (2,810) (3,200)		86,027	81,739
701 shares at April 30, 2013) (2,810) (3,200)	Common stock reacquired and held in treasury –		
	at cost (614 shares at January 31, 2014 and		
Accumulated other comprehensive income 4,205 3,913		(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.

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

	2014 (In thousand	2013 ds)
		,
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