

INTRICON CORP
Form 10-Q
August 14, 2014
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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 June 30, 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 Number: 1-5005

INTRICON CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of
incorporation or organization)

23-1069060

(I.R.S. Employer Identification No.)

1260 Red Fox Road

Arden Hills, Minnesota

(Address of principal executive offices)

55112

(Zip Code)

(651) 636-9770

(Registrant's telephone number, including area code)

N/A

(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.

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☒ Yes ☐ No

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 (§232.405 of this chapter) 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.

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 by Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

The number of outstanding shares of the registrant's common stock, \$1.00 par value, on July 31, 2014 was 5,818,438.

INTRICON CORPORATION

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INTRICON CORPORATION
Consolidated Condensed Balance Sheets
(In Thousands, Except Per Share Amounts)

| | June 30, 2014 (Unaudited) | December 31, 2013 |
|--|---------------------------------|----------------------|
| Current assets: | | |
| Cash | \$ 161 | \$ 217 |
| Restricted cash | 698 | 568 |
| Accounts receivable, less allowance for doubtful accounts of \$122 at June 30, 2014 and \$124 at December 31, 2013 | 7,316 | 5,433 |
| Inventories | 10,373 | 9,400 |
| Other current assets | 1,197 | 1,337 |
| Current assets of discontinued operations | | 382 |
| Total current assets | 19,745 | 17,337 |
| Machinery and equipment | 34,484 | 33,971 |
| Less: Accumulated depreciation | 30,110 | 29,232 |
| Net machinery and equipment | 4,374 | 4,739 |
| Goodwill | 9,194 | 9,194 |
| Investment in partnerships | 484 | 569 |
| Other assets, net | 588 | 749 |
| Other assets of discontinued operations | | 132 |
| Total assets | \$ 34,385 | \$ 32,720 |
| Current liabilities: | | |
| Checks written in excess of cash | \$ 417 | \$ 279 |
| Current maturities of long-term debt | 2,581 | 2,210 |
| Accounts payable | 6,050 | 5,037 |
| Accrued salaries, wages and commissions | 2,142 | 1,676 |
| Deferred gain | 110 | 110 |
| Other accrued liabilities | 1,799 | 1,893 |
| Liabilities of discontinued operations | | 154 |
| Total current liabilities | 13,099 | 11,359 |
| Long-term debt, less current maturities | 4,645 | 6,271 |
| Other postretirement benefit obligations | 506 | 531 |
| Accrued pension liabilities | 789 | 839 |
| Deferred gain | 110 | 165 |
| Other long-term liabilities | 251 | 247 |
| Total liabilities | 19,400 | 19,412 |
| Commitments and contingencies (note 12) | | |
| Shareholders' equity: | | |
| Common stock, \$1.00 par value per share; 20,000 shares authorized; 5,813 and 5,727 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively | 5,813 | 5,727 |
| Additional paid-in capital | 16,668 | 16,434 |
| Accumulated deficit | (7,192) | (8,522) |
| Accumulated other comprehensive loss | (304) | (331) |
| Total shareholders' equity | 14,985 | 13,308 |
| Total liabilities and shareholders' equity | \$ 34,385 | \$ 32,720 |

(See accompanying notes to the consolidated condensed financial statements)

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INTRICON CORPORATION
Consolidated Condensed Statements of Operations
(In Thousands, Except Per Share Amounts)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | June 30, 2014 (Unaudited) | June 30, 2013 (Unaudited) | June 30, 2014 (Unaudited) | June 30, 2013 (Unaudited) |
| Sales, net | \$ 17,507 | \$ 11,479 | \$ 34,817 | \$ 25,605 |
| Cost of sales | 12,735 | 9,617 | 25,272 | 19,974 |
| Gross profit | 4,772 | 1,862 | 9,545 | 5,631 |
| Operating expenses: | | | | |
| Sales and marketing | 891 | 731 | 1,898 | 1,623 |
| General and administrative | 1,616 | 1,367 | 3,240 | 2,927 |
| Research and development | 1,148 | 1,249 | 2,316 | 2,478 |
| Restructuring charges (note 3) | | 199 | 83 | 199 |
| Total operating expenses | 3,655 | 3,546 | 7,537 | 7,227 |
| Operating income (loss) | 1,117 | (1,684) | 2,008 | (1,596) |
| Interest expense | (125) | (154) | (263) | (307) |
| Equity in loss of partnerships | (73) | (77) | (108) | (135) |
| Other income (expense) | (49) | (7) | 46 | 83 |
| Income (loss) from continuing operations before income taxes and discontinued operations | 870 | (1,922) | 1,683 | (1,955) |
| Income tax expense | 57 | 48 | 83 | 38 |
| Income (loss) before discontinued operations | 813 | (1,970) | 1,600 | (1,993) |
| Loss on sale of discontinued operations (note 4) | | | (120) | |
| Loss from discontinued operations, net of income taxes | | (1,473) | (150) | (1,921) |
| Net income (loss) | \$ 813 | \$ (3,443) | \$ 1,330 | \$ (3,914) |
| Basic income (loss) per share: | | | | |
| Continuing operations | \$ 0.14 | \$ (0.34) | \$ 0.28 | \$ (0.35) |
| Discontinued operations | | (0.26) | (0.05) | (0.34) |
| Net income (loss) per share: | \$ 0.14 | \$ (0.60) | \$ 0.23 | \$ (0.69) |
| Diluted income (loss) per share: | | | | |
| Continuing operations | \$ 0.13 | \$ (0.34) | \$ 0.27 | \$ (0.35) |
| Discontinued operations | | (0.26) | (0.05) | (0.34) |
| Net income (loss) per share: | \$ 0.13 | \$ (0.60) | \$ 0.22 | \$ (0.69) |
| Average shares outstanding: | | | | |
| Basic | 5,780 | 5,694 | 5,754 | 5,691 |
| Diluted | 6,081 | 5,694 | 5,973 | 5,691 |

(See accompanying notes to the consolidated condensed financial statements)

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INTRICON CORPORATION
Consolidated Condensed Statements of Comprehensive Income (Loss)
(In Thousands)

| | Three Months Ended | | Six Months Ended | |
|---|--|--|--|--|
| | June 30, 2014 (Unaudited) | June 30, 2013 (Unaudited) | June 30, 2014 (Unaudited) | June 30, 2013 (Unaudited) |
| Net income (loss) | \$ 813 | \$ (3,443) | \$ 1,330 | \$ (3,914) |
| Change in fair value of interest rate swap | 9 | 12 | 19 | 47 |
| Gain (loss) on foreign currency translation adjustment | (2) | 9 | 8 | (22) |
| Comprehensive income (loss) | \$ 820 | \$ (3,422) | \$ 1,357 | \$ (3,889) |
| (See accompanying notes to the consolidated condensed financial statements) | | | | |

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INTRICON CORPORATION
Consolidated Condensed Statements of Cash Flows
(In Thousands)

| | Six Months Ended | |
|--|---------------------------------|---------------------------------|
| | June 30, 2014 (Unaudited) | June 30, 2013 (Unaudited) |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 1,330 | \$ (3,914) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,109 | 1,254 |
| Stock-based compensation | 244 | 265 |
| Loss on impairment of long-lived assets and goodwill of discontinued operations | | 983 |
| Loss on disposition of property | | 4 |
| Change in deferred gain | (55) | (55) |
| Change in allowance for doubtful accounts | (2) | (8) |
| Equity in loss of partnerships | 108 | 135 |
| Loss on sale of discontinued operations | 120 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,914) | 553 |
| Inventories | (1,074) | 329 |
| Other assets | 183 | 474 |
| Accounts payable | 1,012 | 490 |

99.02

Form of Option Assumption Agreement between Registrant and option holders relating to assumed non-plan stock options granted by The RiceX Company (incorporated herein by reference to Exhibit 10.46 to Registrant's Form SB-2 filed with the Commission on November 21, 2005).