

SIGMATRON INTERNATIONAL INC
Form 10-Q
December 13, 2013
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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 October 31, 2013

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 0-23248

SIGMATRON INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
**(State or other jurisdiction of
incorporation or organization)**

36-3918470
**(I.R.S. Employer
Identification No.)**

2201 Landmeier Road
Elk Grove Village, Illinois
(Address of principal executive offices)

60007
(Zip Code)

Registrant's telephone number, including area code: (847) 956-8000

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 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 definition 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

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of December 13, 2013:
3,961,232

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Consolidated Balance Sheets

	October 31, 2013 (Unaudited)	April 30, 2013
Current assets:		
Cash	\$ 5,076,820	\$ 4,607,731
Accounts receivable, less allowance for doubtful accounts of \$150,000 at October 31, 2013 and April 30, 2013	18,880,069	19,421,252
Inventories, net	50,487,435	50,644,741
Prepaid expenses and other assets	1,821,846	1,882,680
Refundable income taxes		228,026
Deferred income taxes	1,667,838	1,630,809
Other receivables	390,305	524,268
Total current assets	78,324,313	78,939,507
Property, machinery and equipment, net	32,523,164	28,567,052
Intangible assets, net of amortization of \$3,136,290 and \$2,962,566 at October 31, 2013 and April 30, 2013	\$ 5,775,710	\$ 5,949,434
Goodwill	3,222,899	3,222,899
Other assets	758,907	910,025
Total other long-term assets	9,757,516	10,082,358
Total assets	\$ 120,604,993	\$ 117,588,917
Liabilities and stockholders equity:		
Current liabilities:		
Trade accounts payable	\$ 27,502,540	\$ 31,347,354
Accrued expenses	2,315,950	2,486,819
Accrued wages	3,881,720	3,633,900
Income taxes payable	234,346	
Current portion of long-term debt	150,996	99,996
Current portion of capital lease obligations	657,698	229,661
Current portion of contingent consideration	331,429	331,429
Total current liabilities	35,074,679	38,129,159

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Long-term debt, less current portion	23,249,019	20,575,017
Capital lease obligations, less current portion	2,275,385	577,221
Contingent consideration, less current portion	1,663,571	1,793,571
Other long-term liabilities	484,859	487,236
Deferred rent	1,138,454	1,096,272
Deferred income taxes	2,920,339	2,946,710
Total long-term liabilities	31,731,627	27,476,027
Total liabilities	66,806,306	65,605,186

Commitments and contingencies:

Stockholders equity:

Preferred stock, \$.01 par value; 500,000 shares authorized, none issued or outstanding		
Common stock, \$.01 par value; 12,000,000 shares authorized, 3,961,232 and 3,940,402 shares issued and outstanding at October 31, 2013 and April 30, 2013	39,779	39,779
Capital in excess of par value	20,423,846	20,361,012
Retained earnings	33,335,062	31,582,940
Total stockholders equity	53,798,687	51,983,731
Total liabilities and stockholders equity	\$ 120,604,993	\$ 117,588,917

The accompanying notes to financial statements are an integral part of these statements.

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Consolidated Statements Of Operations

	Three Months Ended October 31, 2013 (Unaudited)	Three Months Ended October 31, 2012 (Unaudited)	Six Months Ended October 31, 2013 (Unaudited)	Six Months Ended October 31, 2012 (Unaudited)
Net sales	\$ 56,577,287	\$ 52,729,395	\$ 112,743,348	\$ 100,358,624
Cost of products sold	50,581,151	47,326,225	100,458,804	90,249,556
Gross profit	5,996,136	5,403,170	12,284,544	10,109,068
Selling and administrative expenses	4,839,754	4,679,755	9,695,312	9,345,160
Operating income	1,156,382	723,415	2,589,232	763,908
Other (expense) income	(29,523)	8,255	(50,973)	8,255
Interest expense	236,094	208,615	450,054	396,952
Income from operations before income tax expense	949,811	506,545	2,190,151	358,701
Income tax expense (benefit)	165,157	23,711	438,030	(30,989)
Net income	\$ 784,654	\$ 482,834	\$ 1,752,121	\$ 389,690
Earnings per share - basic	\$ 0.20	\$ 0.12	\$ 0.44	\$ 0.10
Earnings per share - diluted	\$ 0.19	\$ 0.12	\$ 0.43	\$ 0.10
Weighted average shares of common stock outstanding				
Basic	3,961,232	3,930,402	3,961,232	3,926,440
Weighted average shares of common stock outstanding				
Diluted	4,037,627	4,002,264	4,028,681	3,989,180

The accompanying notes to financial statements are an integral part of these statements.

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SigmaTron International, Inc.

Consolidated Statements of Cash Flows

	Six Months Ended October 31, 2013 (Unaudited)	Six Months Ended October 31, 2012 (Unaudited)
Operating activities:		
Net income	\$ 1,752,121	\$ 389,690
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,386,867	2,221,992
Stock-based compensation	54,236	135,838
Restricted stock expense	8,599	38,907
Deferred income taxes	(37,029)	(3,276)
Amortization of intangibles	173,724	133,415
Loss from disposal or sale of machinery and equipment	1,675	
Tender offer - stock options	300,410	
Changes in operating assets and liabilities, net of assets and liabilities acquired		
Accounts receivable	541,183	(4,560,840)
Inventories	157,306	(3,512,547)
Prepaid expenses and other assets	345,915	(213,848)
Refundable Income taxes	228,026	(149,751)
Trade accounts payable	(3,844,814)	4,968,907
Deferred rent	42,182	280,280
Accrued expenses and wages	178,920	280,657
Income taxes payable	(26,371)	
Net cash provided by operating activities	2,262,950	9,424
Investing activities:		
Purchases of machinery and equipment	(6,344,654)	(2,044,055)
Cash received in conjunction with acquisition		1,142,597
Net cash used in investing activities	(6,344,654)	(901,458)
Financing activities:		
Payment of tendered stock options	(300,410)	
Proceeds under sale lease back agreement	2,281,354	
Payments under capital lease obligations	(155,153)	(108,482)

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Payments under other notes payable		(26,832)
Net proceeds under lines of credit	1,500,000	4,000,000
Proceeds under building notes payable	1,275,000	
Payments under building notes payable	(49,998)	(49,998)
Net cash provided by financing activities	4,550,793	3,814,688
Change in cash	469,089	2,922,654
Cash at beginning of period	4,607,731	4,668,931
Cash at end of period	\$ 5,076,820	\$ 7,591,585
Supplementary disclosures of cash flow information		
Cash paid for interest	\$ 211,843	\$ 385,336
Cash paid for income taxes		24,310
Cash refunded for income taxes	(52,437)	
Non-Cash Transaction - Acquisition of Spitfire Control, Inc.		
SigmaTron International, Inc. A/R trade forgiven		\$ 15,312,904
SigmaTron International, Inc. foreign A/R trade forgiven		1,142,392
Contingent consideration		2,320,000
Issuance of restricted stock		169,011
Total Cost of Acquisition		\$ 18,944,307

The accompanying notes to financial statements are an integral part of these statements.

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SigmaTron International, Inc.

October 31, 2013

Notes to Consolidated Financial Statements

(Unaudited)

Note A - Basis of Presentation

The accompanying unaudited consolidated financial statements of SigmaTron International, Inc. (SigmaTron), SigmaTron's wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd. and wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd. (SigmaTron China) and international procurement office SigmaTron Taiwan branch (collectively, the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

Accordingly, the consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended October 31, 2013 are not necessarily indicative of the results that may be expected for the year ending April 30, 2014. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 2013.

On May 31, 2012, SigmaTron acquired certain assets and assumed certain liabilities of Spitfire Control, Inc. (Spitfire). Spitfire was a privately held Illinois corporation headquartered in Carpentersville, Illinois with captive manufacturing sites in Chihuahua, Mexico and suburban Ho Chi Minh City, Vietnam. Both manufacturing sites were among the assets acquired by the Company.

Certain reclassifications have been made to the previously reported financial statements in order to conform to the current period presentation.

Note B - Inventories

The components of inventory consist of the following:

	October 31, 2013	April 30, 2013
Finished products	\$ 20,944,692	\$ 13,167,117
Work-in-process	2,734,099	2,959,144
Raw materials	28,561,113	36,288,580

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	52,239,904	52,414,841
Less obsolescence reserve	1,752,469	1,770,100