

Gaming Partners International CORP
Form 10-Q
May 10, 2016

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: March 31, 2016

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: 0-23588

GAMING PARTNERS INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: Gaming Partners International CORP - Form 10-Q

NEVADA

(State or other jurisdiction
of incorporation or organization)

88-0310433

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

**3945 West Cheyenne Avenue,
North Las Vegas, Nevada**

(Address of principal executive offices)

89032

(Zip Code)

(702) 384-2425

(Registrant's telephone number, including area code)

None

(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. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on the Corporate Website, 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 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 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 company

(Do not check if a 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

Edgar Filing: Gaming Partners International CORP - Form 10-Q

The number of shares outstanding of each of the registrant's classes of common stock as of April 29, 2016, the latest practicable date, was 7,928,594 shares of Common Stock.

GAMING PARTNERS INTERNATIONAL CORPORATION

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	1
<u>ITEM 1. FINANCIAL STATEMENTS</u>	1
<u>CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)</u>	1
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)</u>	2
<u>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)</u>	4
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)</u>	5
<u>CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (unaudited)</u>	6
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	12
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	18
<u>PART II. OTHER INFORMATION</u>	19
<u>ITEM 1. LEGAL PROCEEDINGS</u>	19
<u>ITEM 1A. RISK FACTORS</u>	19
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	19
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	19
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	19
<u>ITEM 5. OTHER INFORMATION</u>	19
<u>ITEM 6. EXHIBITS</u>	19
<u>SIGNATURES</u>	20

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS**(unaudited)****(in thousands, except share amounts)**

	March 31, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,754	\$ 17,788
Marketable securities	1,712	3,503
Accounts receivable, net	9,242	10,677
Inventories	11,148	10,199
Prepaid expenses	827	947
Deferred income tax assets	1,943	1,640
Other current assets	1,954	1,576
Total current assets	44,580	46,330
Property and equipment, net	14,431	14,102
Goodwill	10,292	10,292
Intangible assets, net	2,436	2,505
Deferred income tax assets	687	710
Inventories, non-current	688	670
Other assets, non-current	2,690	2,635
Total assets	\$ 75,804	\$ 77,244
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 3,404	\$ 4,498
Accrued liabilities	5,194	6,456
Customer deposits and deferred revenue	3,261	2,080
Current portion of long-term debt	1,351	1,343
Income taxes payable	510	824
Total current liabilities	13,720	15,201
Long-term debt	7,665	8,002
Deferred income tax liabilities	168	170

Edgar Filing: Gaming Partners International CORP - Form 10-Q

Other liabilities, non-current	-	83
Total liabilities Total liabilities	21,553	23,456
Commitments and contingencies - see Note 8		
Stockholders' Equity:		
Preferred stock, authorized 10,000,000 shares, \$.01 par value, none issued and outstanding	-	-
Common stock, authorized 30,000,000 shares, \$.01 par value, 8,219,577 and 7,928,594 issued and outstanding, respectively, as of March 31, 2016, and December 31, 2015	82	82
Additional paid-in capital	20,031	20,033
Treasury stock at cost: 290,983 shares	(2,263)	(2,263)
Retained earnings	37,732	37,812
Accumulated other comprehensive loss	(1,331)	(1,876)
Total stockholders' equity	54,251	53,788
Total liabilities and stockholders' equity	\$ 75,804	\$ 77,244

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**(unaudited)****(in thousands, except per-share amounts)**

	Three Months Ended March 31,	
	2016	2015
Revenues	\$ 16,093	\$ 18,656
Cost of revenues	12,125	12,332
Gross profit	3,968	6,324
Marketing and sales	1,525	1,800
General and administrative	2,173	2,416
Research and development	307	339
Operating (loss) income	(37)	1,769
Other (expense) income, net	(82)	35
(Loss) income before income taxes	(119)	1,804
Income tax benefit	(39)	(153)
Net (loss) income	\$ (80)	\$ 1,957
(Loss) earnings per share:		
Basic	\$ (0.01)	\$ 0.25
Diluted	\$ (0.01)	\$ 0.24
Weighted-average shares of common stock outstanding:		
Basic	7,929	7,916
Diluted	7,929	8,025

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(in thousands)

	Three Months Ended March 31,	
	2016	2015
Net (loss) income	\$(80)	\$1,957
Other comprehensive income:		
Foreign currency translation adjustment, net of tax	545	(1,621)
Total comprehensive income	\$465	\$336

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**(unaudited)****(in thousands, except per share amounts)**

	Common Stock		Additional	Treasury	Retained	Accumulated	
	Shares	Amount	Paid-In	Stock	Earnings	Other	
			Capital			Comprehensive	Total
						Loss	
Balance, January 1, 2015	7,916,094	\$ 82	\$ 19,886	\$(2,263)	\$30,881	\$ (321)	\$48,265
Net income	-	-	-	-	1,957	-	1,957
Common stock options exercised	12,500	-	87	-	-	-	87
Stock compensation expense	-	-	15	-	-	-	15
Tax impact of stock options	-	-	3	-	-	-	3
Foreign currency translation adjustment, net of tax	-	-	-	-	-	(1,621)	(1,621)
Balance, March 31, 2015	7,928,594	\$ 82	\$ 19,991	\$(2,263)	\$32,838	\$ (1,942)	\$48,706
Balance, January 1, 2016	7,928,594	\$ 82	\$ 20,033	\$(2,263)	\$37,812	\$ (1,876)	\$53,788
Net loss	-	-	-	-	(80)	-	(80)
Stock compensation expense	-	-	21	-	-	-	21
Tax impact of stock options	-	-	(23)	-	-	-	(23)
Foreign currency translation adjustment, net of tax	-	-	-	-	-	545	545
Balance, March 31, 2016	7,928,594	\$ 82	\$ 20,031	\$(2,263)	\$37,732	\$ (1,331)	\$54,251

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**(unaudited)****(in thousands)**

	Three Months Ended March 31,	
	2016	2015
Cash Flows from Operating Activities		
Net (loss) income	\$(80)	\$1,957
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	666	680
Amortization of intangible assets	70	77
Provision for bad debt	12	139
Deferred income taxes	(276)	(672)
Stock compensation expense	21	15
Tax impacts of stock options	(23)	3
Loss on sale or disposal of property and equipment	-	35
Gain on sale of marketable securities	(1)	(1)
Change in operating assets and liabilities:		
Accounts receivable	1,434	1,072
Inventories	(837)	780
Prepaid expenses and other current assets	(219)	(495)
Other assets, non-current	10	63
Accounts payable	(1,127)	810
Accrued liabilities	(1,340)	122
Customer deposits and deferred revenue	1,086	(1,086)
Other current liabilities	13	(87)
Income taxes payable	(314)	462
Net cash (used in) provided by operating activities	(905)	3,874
Cash Flows from Investing Activities		
Purchases of marketable securities	-	(6,759)
Proceeds from sale of marketable securities	1,880	4,508
Proceeds from sale of property and equipment	-	18
Capital expenditures	(851)	(174)
Net cash provided by (used in) investing activities	1,029	(2,407)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(330)	-
Proceeds from exercise of stock options	-	87
Net cash (used in) provided by financing activities	(330)	87

Edgar Filing: Gaming Partners International CORP - Form 10-Q

Effect of exchange rate changes on cash	172	(406)
Net (decrease) increase in cash and cash equivalents	(34)	1,148
Cash and cash equivalents, beginning of period	17,788	8,969
Cash and cash equivalents, end of period	\$17,754	