

Kimball Electronics, Inc.
Form 10-Q
November 07, 2018

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 September 30, 2018

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 001-36454

KIMBALL ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Indiana 35-2047713

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1205 Kimball Boulevard, Jasper, Indiana 47546

(Address of principal executive offices) (Zip Code)

(812) 634-4000

Registrant's telephone number, including area code

Not Applicable

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 its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the Registrant's common stock as of October 24, 2018 was 26,283,988 shares.

KIMBALL ELECTRONICS, INC.
 FORM 10-Q
 INDEX

Page No.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets

- September 30, 2018 (Unaudited) and June 30, 2018 3

Condensed Consolidated Statements of Income (Unaudited)

- Three Months Ended September 30, 2018 and 2017 4

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

- Three Months Ended September 30, 2018 and 2017 5

Condensed Consolidated Statements of Cash Flows (Unaudited)

- Three Months Ended September 30, 2018 and 2017 6

Condensed Consolidated Statement of Share Owners' Equity (Unaudited)

- Three Months Ended September 30, 2018 7

Notes to Condensed Consolidated Financial Statements (Unaudited)

8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 23

Item 3. Quantitative and Qualitative Disclosures About Market Risk 33

Item 4. Controls and Procedures 34

PART II OTHER INFORMATION

Item 1. Legal Proceedings

35

Item 1A. Risk Factors

35

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

35

Item 6. Exhibits

36

SIGNATURES

37

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KIMBALL ELECTRONICS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Amounts in Thousands, Except for Share Data)

	(Unaudited)	
	September 30, 2018	June 30, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 74,969	\$ 46,428
Receivables, net of allowances of \$713 and \$482, respectively	169,630	173,559
Contract assets	43,619	—
Inventories	188,572	201,596
Prepaid expenses and other current assets	15,587	15,405
Total current assets	492,377	436,988
Property and Equipment, net of accumulated depreciation of \$203,046 and \$198,672, respectively	134,831	137,210
Goodwill	6,191	6,191
Other Intangible Assets, net of accumulated amortization of \$27,497 and \$27,276, respectively	4,713	4,375
Other Assets	24,764	23,994
Total Assets	\$ 662,876	\$ 608,758
LIABILITIES AND SHARE OWNERS' EQUITY		
Current Liabilities:		
Borrowings under credit facilities	\$ 59,271	\$ 8,337
Accounts payable	192,657	187,788
Accrued expenses	28,134	32,446
Total current liabilities	280,062	228,571
Other Liabilities:		
Long-term income taxes payable	11,286	12,361
Other long-term liabilities	12,644	12,299
Total other liabilities	23,930	24,660
Share Owners' Equity:		
Preferred stock-no par value		
Shares authorized: 15,000,000	—	—
Shares issued: None	—	—
Common stock-no par value		
Shares authorized: 150,000,000	—	—
Shares issued: 29,430,000	—	—
Additional paid-in capital	301,729	304,215
Retained earnings	107,493	99,374
Accumulated other comprehensive loss	(5,884) (6,899)
Treasury stock, at cost:		
Shares: 2,972,000 and 2,898,000, respectively	(44,454) (41,163)
Total Share Owners' Equity	358,884	355,527

Total Liabilities and Share Owners' Equity	\$ 662,876	\$608,758
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See Notes to Condensed Consolidated Financial Statements.

3

KIMBALL ELECTRONICS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Amounts in Thousands, Except for Per Share Data)

(Unaudited)	Three Months Ended	
	September 30	
	2018	2017
Net Sales	\$265,620	\$253,204
Cost of Sales	247,434	233,751
Gross Profit	18,186	19,453
Selling and Administrative Expenses	11,246	9,930
Other General Income	(92) —
Operating Income	7,032	9,523
Other Income (Expense):		
Interest income	6	18
Interest expense	(389) (116
Non-operating income (expense), net	(171) 1,410
Other income (expense), net	(554) 1,312
Income Before Taxes on Income	6,478	10,835
Provision for Income Taxes	1,409	2,355
Net Income	\$5,069	\$8,480
Earnings Per Share of Common Stock:		
Basic	\$0.19	\$0.32
Diluted	\$0.19	\$0.31
Average Number of Shares Outstanding:		
Basic	26,507	26,859
Diluted	26,628	27,028

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Amounts in Thousands)

(Unaudited)	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax
Net income			\$5,069			\$8,480
Other comprehensive income (loss):						
Foreign currency translation adjustments	\$(658)	\$—	\$(658)	\$3,214	\$—	\$3,214
Postemployment severance actuarial change	213	(52)	161	146	(54)	92
Derivative gain (loss)	1,947	(424)	1,523	(1,597)	319	(1,278)
Reclassification to (earnings) loss:						
Derivatives	100	(27)	73	10	74	84
Amortization of actuarial change	(111)	27	(84)	(80)	30	(50)
Other comprehensive income (loss)	\$1,491	\$(476)	\$1,015	\$1,693	\$369	\$2,062
Total comprehensive income			\$6,084			\$10,542

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

(Unaudited)	Three Months Ended September 30	
	2018	2017
Cash Flows From Operating Activities:		
Net income	\$5,069	\$8,480
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	6,755	6,369
Gain on sales of assets	(70)	(6)
Deferred income tax and other deferred charges	(1,645)	(1,533)
Stock-based compensation	1,452	1,011
Other, net	76	(4)
Change in operating assets and liabilities:		
Receivables	3,697	(4,252)
Contract assets	(378)	—
Inventories	(25,925)	(19,241)
Prepaid expenses and other current assets	343	(801)
Accounts payable	4,693	12,592
Accrued expenses and taxes payable	(4,080)	(2,784)
Net cash used for operating activities	(10,013)	(169)
Cash Flows From Investing Activities:		
Capital expenditures	(4,675)	(6,135)
Proceeds from sales of assets	172	63
Purchases of capitalized software	(159)	(12)
Other, net	16	18
Net cash used for investing activities	(4,646)	(6,066)
Cash Flows From Financing Activities:		
Net change in revolving credit facilities	50,950	4,000
Repurchases of common stock	(5,028)	(3,440)
Payments related to tax withholding for stock-based compensation	(1,763)	(1,508)
Debt issuance costs	(445)	—
Net cash provided by (used for) financing activities	43,714	(948)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(514)	944
Net Increase (Decrease) in Cash and Cash Equivalents	28,541	(6,239)
Cash and Cash Equivalents at Beginning of Period	46,428	44,555
Cash and Cash Equivalents at End of Period	\$74,969	\$38,316
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Income taxes	\$1,501	\$4,088
Interest expense	\$149	\$2

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.

CONDENSED CONSOLIDATED STATEMENT OF SHARE OWNERS' EQUITY

(Amounts in Thousands, Except for Share Data)

(Unaudited)	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Share Owners' Equity
Amounts at June 30, 2018	\$304,215	\$ 99,374	\$ (6,899)	\$(41,163)	\$355,527
Net income		5,069			5,069
Other comprehensive income			1,015		1,015
Cumulative effect of accounting change		3,050			3,050
Compensation expense related to stock compensation plans	1,409				1,409
Performance share issuance (203,000 shares)	(3,895)			2,133	(1,762)
Repurchase of Common Stock (277,000 shares)				(5,424)	