

UNIVERSAL ELECTRONICS INC
Form 10-Q
August 08, 2017
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, 2017

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: 0-21044

UNIVERSAL ELECTRONICS INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware 33-0204817
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

201 E. Sandpointe Avenue, 8th Floor 92707
Santa Ana, California
(Address of Principal Executive Offices) (Zip Code)
Registrant's telephone number, including area code: (714) 918-9500

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, 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, any 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, 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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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.

Edgar Filing: UNIVERSAL ELECTRONICS INC - Form 10-Q

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 14,401,295 shares of Common Stock, par value \$0.01 per share, of the registrant were outstanding on August 4, 2017.

UNIVERSAL ELECTRONICS INC.

INDEX

	Page Number
<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Income Statements</u>	<u>4</u>
<u>Consolidated Comprehensive Income Statements</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
<u>Item 4. Controls and Procedures</u>	<u>33</u>
<u>PART II. OTHER INFORMATION</u>	<u>34</u>
<u>Item 1. Legal Proceedings</u>	<u>34</u>
<u>Item 1A. Risk Factors</u>	<u>34</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
<u>Item 6. Exhibits</u>	<u>35</u>
<u>Signatures</u>	<u>36</u>
<u>Exhibit Index</u>	<u>37</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Consolidated Financial Statements (Unaudited)

UNIVERSAL ELECTRONICS INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share-related data)

(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$49,695	\$ 50,611
Restricted cash	—	4,623
Accounts receivable, net	147,738	124,592
Inventories, net	143,417	129,879
Prepaid expenses and other current assets	7,593	7,439
Income tax receivable	4,133	1,054
Deferred income taxes	—	5,960
Total current assets	352,576	324,158
Property, plant, and equipment, net	112,276	105,351
Goodwill	48,372	43,052
Intangible assets, net	31,619	28,549
Deferred income taxes	18,270	10,430
Long-term restricted cash	4,716	4,600
Other assets	4,997	4,896
Total assets	\$572,826	\$ 521,036
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 110,050	\$ 97,157
Line of credit	92,000	49,987
Accrued compensation	33,520	35,580
Accrued sales discounts, rebates and royalties	7,153	8,358
Accrued income taxes	1,670	375
Other accrued expenses	20,294	24,410
Total current liabilities	264,687	215,867
Long-term liabilities:		
Long-term contingent consideration	12,600	10,500
Deferred income taxes	6,269	7,060
Income tax payable	791	791
Other long-term liabilities	6,299	6,308
Total liabilities	290,646	240,526
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.01 par value, 50,000,000 shares authorized; 23,661,566 and 23,575,340 shares issued on June 30, 2017 and December 31, 2016, respectively	237	236
Paid-in capital	258,732	250,481
Treasury stock, at cost, 9,262,057 and 9,022,587 shares on June 30, 2017 and December 31, 2016, respectively	(237,865)	(222,980)
Accumulated other comprehensive income (loss)	(20,830)	(22,821)

Edgar Filing: UNIVERSAL ELECTRONICS INC - Form 10-Q

Retained earnings	281,906	275,594
Total stockholders' equity	282,180	280,510
Total liabilities and stockholders' equity	\$572,826	\$ 521,036

See Note 4 for further information concerning our purchases from related party vendors.

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

3

Table of ContentsUNIVERSAL ELECTRONICS INC.
CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net sales	\$177,580	\$170,986	\$338,986	\$321,644
Cost of sales	133,829	127,530	254,201	240,541
Gross profit	43,751	43,456	84,785	81,103
Research and development expenses	4,946	5,151	10,444	10,337
Factory transition restructuring charges	449	84	5,699	1,517
Selling, general and administrative expenses	31,053	30,252	61,704	58,239
Operating income	7,303	7,969	6,938	11,010
Interest income (expense), net	(562) (258) (955) (525
Other income (expense), net	(642) 671	(59) 1,391
Income before provision for income taxes	6,099	8,382	5,924	11,876
Provision for income taxes	1,415	1,784	1,121	2,535
Net income	4,684	6,598	4,803	9,341
Net income attributable to noncontrolling interest	—	8		