

IEC ELECTRONICS CORP  
Form 10-Q  
August 12, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 28, 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 0-6508

**IEC ELECTRONICS CORP.**

(Exact name of registrant as specified in its charter)

Delaware 13-3458955  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

105 Norton Street, Newark, New York 14513

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: 315-331-7742

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 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. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock, \$0.01 par value – 9,991,291 shares as of July 28, 2013

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements**

## IEC ELECTRONICS CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

JUNE 28, 2013 and SEPTEMBER 30, 2012

(in thousands, except share and per share data)

	June 28, 2013 (unaudited)	September 30, 2012 (restated)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 3,103	\$ 2,662
Accounts receivable, net of allowance	22,944	23,193
Inventories, net	21,671	17,697
Deferred income taxes	1,365	1,365
Other current assets	800	401
Total current assets	49,883	45,318
Fixed assets, net		
Intangible assets, net	18,316	17,120
Goodwill	5,172	5,511
Deferred income taxes	13,810	13,810
Other assets	6,919	6,018
	374	121
Total assets	\$ 94,474	\$ 87,898
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 2,778	\$ 6,533
Accounts payable	17,133	15,697
Accrued payroll and related expenses	2,251	2,676
Other accrued expenses	919	946
Customer deposits	12	146
Total current liabilities	23,093	25,998
Long-term debt	30,630	21,104
Other long-term liabilities	185	-
Total liabilities	53,908	47,102

STOCKHOLDERS' EQUITY

Preferred stock, \$0.01 par value:		
500,000 shares authorized; none issued or outstanding	-	-
Common stock, \$0.01 par value:		
Authorized: 50,000,000 shares		
Issued: 11,006,749 and 10,943,185 shares, respectively		
Outstanding: 9,991,291 and 9,927,727 shares, respectively	109	109
Additional paid-in capital	43,708	43,075
Retained earnings/(accumulated deficit)	(1,816 )	(953 )
Treasury stock, at cost: 1,015,458 shares	(1,435 )	(1,435 )
Total stockholders' equity	40,566	40,796
Total liabilities and stockholders' equity	\$ 94,474	\$ 87,898

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

## IEC ELECTRONICS CORP. AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENTS

THREE and NINE MONTH PERIODS ENDED JUNE 28, 2013 and JUNE 29, 2012

(unaudited; in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	June 28, 2013	June 29, 2012 (restated)	June 28, 2013	June 29, 2012 (restated)
Net sales	\$35,154	\$36,022	\$101,824	\$107,900
Cost of sales	29,995	29,170	89,601	87,767
Gross profit	5,159	6,852	12,223	20,133
Selling and administrative expenses	4,552	3,879	12,909	12,185
Operating profit/(loss)	607	2,973	(686 )	7,948
Interest and financing expense	10	285	648	930
Other (income)/expense	(9 )	(201 )	47	(1,050 )
Income/(loss) before provision for income taxes	606	2,889	(1,381 )	8,068
Provision for/(benefit from) income taxes	224	1,046	(518 )	2,960
Net income/(loss)	\$382	\$1,843	\$(863 )	\$5,108
Net income/(loss) per common and common equivalent share:				
Basic	\$0.04	\$0.19	\$(0.09 )	\$0.53
Diluted	0.04	0.18	(0.09 )	0.51
Weighted average number of common and common equivalent shares outstanding:				
Basic	9,702,446	9,682,423	9,675,120	9,665,095
Diluted	9,810,707	10,008,393	9,675,120	9,931,172

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

## IEC ELECTRONICS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS of CHANGES in STOCKHOLDERS' EQUITY

NINE MONTH PERIODS ENDED JUNE 28, 2013 and JUNE 29, 2012

(unaudited; in thousands)

	Common Stock, par \$0.01	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, at cost	Total Stockholders' Equity
Balances, September 30, 2011	\$ 108	\$ 42,660	\$ (7,647 )	\$ (1,435 )	\$ 33,686
Net income			5,108		5,108
Stock-based compensation		372			372
Directors' fees paid in stock		32			32
Restricted (non-vested) stock grants	1	(1 )			-
Exercise of stock options		46			46
SCB escrow settlement retirement of stock		(414 )			(414 )
Employee stock plan purchases		64			64
Balances, June 29, 2012, restated	\$ 109	\$ 42,759	\$ (2,539 )	\$ (1,435 )	\$ 38,894
	Common Stock, par \$0.01	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, at cost	Total Stockholders' Equity
Balances, September 30, 2012, restated	\$ 109	\$ 43,075	\$ (953 )	\$ (1,435 )	\$ 40,796
Net income/(loss)			(863 )		(863 )
Stock-based compensation		494			494
Forfeitures	(1 )	1			-
Directors' fees paid in stock		10			10
Restricted (non-vested) stock grants	1	(1 )			-
Exercise of stock options		60			60
Shares withheld for payment of taxes upon vesting of restricted stock		(29 )			(29 )
Employee stock plan purchases		98			98
Balances, June 28, 2013	\$ 109	\$ 43,708	\$ (1,816 )	\$ (1,435 )	\$ 40,566

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





## IEC ELECTRONICS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS of CASH FLOWS

NINE MONTH PERIODS ENDED JUNE 28, 2013 and JUNE 29, 2012

(unaudited; in thousands)

	Nine Months Ended	
	June 28, 2013	June 29, 2012 (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$(863 )	\$5,108
Non-cash adjustments:		
Stock-based compensation	494	372
Depreciation and amortization	3,574	3,178
Change in contingent consideration	-	1,096
Directors' fees paid in stock	10	32
Loss on sale of fixed assets	-	14
Reserve for doubtful accounts	117	133
Deferred tax expense (benefit)	(901 )	2,959
Changes in operating assets and liabilities:		
Accounts receivable	132	(3,388 )
Inventories	(3,974 )	(2,448 )
Other current assets	(399 )	(235 )
Other long term assets	(288 )	-
Accounts payable	1,436	721
Accrued expenses	(452 )	(487 )
Customer deposits	(134 )	(132 )
Other long term liabilities	185	-
Net cash flows from operating activities	(1,063 )	6,923
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(4,357 )	(2,492 )
Proceeds from disposal of fixed assets	-	46
Net cash flows from investing activities	(4,357 )	(2,446 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances from revolving credit facility	43,284	48,488
Repayments of revolving credit facility, including refinancing	(33,825)	(47,915)
Borrowings under other loan agreements and notes, including refinancing	24,000	-
Repayments under loan agreements and notes, including refinancing	(27,688)	(5,160 )
Debt issuance costs	(39 )	-
Proceeds from exercise of stock options	60	46
Proceeds from employee stock plan purchases	98	64

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Shares withheld for payment of taxes upon vesting of restricted stock	(29 )	-
Net cash flows from financing activities	5,861	(4,477 )
Net cash flows for the period	441	-
Cash and cash equivalents, beginning of period	2,662	-
Cash and cash equivalents, end of period	\$3,103	\$-
Supplemental cash flow information:		
Interest paid	\$782	\$859
Income taxes paid	367	229

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

**IEC ELECTRONICS CORP. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. OUR BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Our Business*

IEC Electronics Corp. ("IEC", "we", "our", "us", "Company") is a premier provider of electronic contract manufacturing services ("EMS") to advanced technology companies. We specialize in the custom manufacture of high reliability, complex circuit cards and system-level assemblies; a wide array of cable and wire harness assemblies capable of withstanding extreme environments; and precision sheet metal components. We excel where quality and reliability are of paramount importance and when low-to-medium volume, high-mix production is the norm. We utilize state-of-the-art, automated circuit card assembly equipment together with a full complement of high-reliability manufacturing stress testing methods. With our customers at the center of everything we do, we have created a high-intensity, rapid response culture capable of reacting and adapting to their ever-changing needs. Our customer-centric approach offers a high degree of flexibility while simultaneously complying with rigorous quality and on-time delivery standards. While many EMS services are viewed as commodities, we believe we set ourselves apart through an uncommon mix of capabilities including:

§ A technology center that combines dedicated prototype manufacturing with an on-site Materials Analysis Lab, enabling the seamless transition of complex electronics from design to production.

§ In-house, custom, functional testing and troubleshooting of complex system-level assemblies in support of end-order fulfillment.

§ A laboratory that enables us to assist customers in mitigating the risk of purchasing counterfeit parts through our subsidiary, Dynamic Research and Testing Laboratories, LLC ("DRTL").

§ Build-to-print precision sheet metal and complex wire harness assemblies supporting just-in-time delivery of critical end-market, system-level electronics.

§ A Lean/Six Sigma continuous improvement program supported by a team of Six Sigma Blackbelts delivering best-in-class results.

§ Proprietary software-driven Web Portal providing