

R F INDUSTRIES LTD
Form 10-Q
September 14, 2016

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 July 31, 2016

Commission file number: **0-13301**

RF INDUSTRIES, LTD.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

88-0168936
(I.R.S. Employer Identification No.)

92126

7610 Miramar Road, Building 6000
San Diego, California

(Address of principal executive offices)

(Zip Code)

(858) 549-6340

(Registrant's telephone number, including area code)

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 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 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" 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

The number of shares of the issuer's Common Stock, par value \$0.01 per share, outstanding as of September 8, 2016 was 8,835,483.

Part I. FINANCIAL INFORMATION**Item 1: Financial Statements****RF INDUSTRIES, LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)**

	July 31, 2016 (Unaudited)	October 31, 2015 (Note 1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,649	\$7,595
Trade accounts receivable, net of allowance for doubtful accounts of \$71 and \$59	4,314	3,980
Inventories	6,492	6,928
Other current assets	1,525	728
Deferred tax assets	426	426
TOTAL CURRENT ASSETS	17,406	19,657
Property and equipment:		
Equipment and tooling	3,234	3,215
Furniture and office equipment	789	936
	4,023	4,151
Less accumulated depreciation	3,085	3,230
Total property and equipment	938	921
Goodwill	5,913	5,913
Amortizable intangible assets, net	3,766	4,268
Non-amortizable intangible assets	1,387	1,387
Note receivable from stockholder	-	67
Other assets	155	39
TOTAL ASSETS	\$ 29,565	\$32,252

See Notes to Unaudited Condensed Consolidated Financial Statements.

Item 1: Financial Statements (continued)**RF INDUSTRIES, LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share amounts)

	July 31, 2016 (Unaudited)	October 31, 2015 (Note 1)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,172	\$1,493
Accrued expenses	2,540	2,868
TOTAL CURRENT LIABILITIES	3,712	4,361
Deferred tax liabilities	1,143	1,143
Other long-term liabilities	161	377
TOTAL LIABILITIES	5,016	5,881
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - authorized 20,000,000 shares of \$0.01 par value; 8,835,483 and 8,713,664 shares issued and outstanding at July 31, 2016 and October 31, 2015, respectively	88	87
Additional paid-in capital	19,334	19,129
Retained earnings	5,127	7,155
TOTAL STOCKHOLDERS' EQUITY	24,549	26,371
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 29,565	\$32,252

See Notes to Unaudited Condensed Consolidated Financial Statements.

Item 1: Financial Statements (continued)**RF INDUSTRIES, LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(In thousands, except share and per share amounts)**

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2016	2015	2016	2015
Net sales	\$7,640	\$8,315	\$22,159	\$22,223
Cost of sales	5,513	5,765	15,657	14,589
Gross profit	2,127	2,550	6,502	7,634
Operating expenses:				
Engineering	217	210	557	577
Selling and general	2,577	2,397	7,261	6,668
Totals	2,794	2,607	7,818	7,245
Operating income (loss)	(667)	(57)	(1,316)	389
Other income (loss)	(32)	4	(4)	19
Income (loss) from continuing operations before provision (benefit) for income taxes	(699)	(53)	(1,320)	408
Provision (benefit) for income taxes	45	(112)	(330)	43
Income (loss) from continuing operations	(744)	59	(990)	365
Income (loss) from discontinued operations, net of tax	147	152	(74)	359
Net income (loss)	\$(597)	\$211	\$(1,064)	\$724
Earnings (loss) per share - Basic:				
Continuing operations	\$(0.08)	\$0.01	\$(0.11)	\$0.04
Discontinued operations	0.01	0.01	(0.01)	0.05

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Net income (loss) per share	\$ (0.07) \$0.02	\$ (0.12) \$0.09
Earnings (loss) per share - Diluted:				
Continuing operations	\$ (0.08) \$0.01	\$ (0.11) \$0.04
Discontinued operations	0.01	0.01	(0.01) 0.04
Net income (loss) per share	\$ (0.07) \$0.02	\$ (0.12) \$0.08
Weighted average shares outstanding:				
Basic	8,834,747	8,545,300	8,770,375	8,446,223
Diluted	8,834,747	8,916,643	8,770,375	8,820,438

See Notes to Unaudited Condensed Consolidated Financial Statements.

Item 1: Financial Statements (continued)**RF INDUSTRIES, LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(In thousands)**

	Nine Months Ended July 31,	
	2016	2015
OPERATING ACTIVITIES:		
Net income (loss)	\$(1,064)	\$724
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt expense	17	15
Accounts receivable write-off	-	4
Depreciation and amortization	769	719
Stock-based compensation expense	156	184
Inventory write-off	-	10
Loss on disposal of fixed assets	61	-
Excess tax benefit from stock-based compensation	-	45
Changes in operating assets and liabilities:		
Trade accounts receivable	(351)	(323)
Inventories	115	(380)
Other current assets	(797)	(322)
Other long-term assets	(116)	-
Accounts payable	(320)	133
Income taxes payable	-	(122)
Accrued expenses	(545)	(444)
Net cash (used in) provided by operating activities	(2,075)	243
INVESTING ACTIVITIES:		
Acquisition of businesses (Comnet, Rel-Tech and CompPro), net of cash acquired \$758	-	(5,132)
Proceeds received on notes receivable from stockholder	67	-
Proceeds from sale of fixed assets	22	-
Proceeds from sale of inventory	322	-
Capital expenditures	(368)	(140)
Net cash provided by (used in) investing activities	43	(5,272)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	48	37

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Excess tax provision (benefit) from exercise of stock options	159	(45)
Purchase of treasury stock	(157)	-
Dividends paid	(964)	(1,773)
Net cash used in financing activities	(914)	(1,781)
Net decrease in cash and cash equivalents	(2,946)	(6,810)
Cash and cash equivalents, beginning of period	7,595	14,718
Cash and cash equivalents, end of period	\$4,649	\$7,908
Supplemental cash flow information – income taxes paid	\$165	\$627
Noncash investing and financing activities:		
Stock issuance for acquisition of businesses (Comnet and Rel-Tech)	\$-	\$1,260