

VOXX International Corp
Form 10-Q
January 11, 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 November 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-28839

VOXX International Corporation
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of
incorporation or organization)

13-1964841
(IRS Employer Identification No.)

180 Marcus Blvd., Hauppauge, New York
(Address of principal executive offices)

11788
(Zip Code)

(631) 231-7750
(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, as defined 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 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

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(§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

Number of shares of each class of the issuer's common stock outstanding as of the latest practicable date.

Class	As of January 8, 2016	
Class A Common Stock	21,899,370	Shares
Class B Common Stock	2,260,954	Shares

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VOXX International Corporation and Subsidiaries

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VOXX International Corporation and Subsidiaries

Consolidated Balance Sheets

(In thousands)

	November 30, 2015 (unaudited)	February 28, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$12,435	\$8,448
Accounts receivable, net	101,949	102,766
Inventory, net	153,663	156,649
Receivables from vendors	3,190	3,622
Investment securities, current	—	275
Prepaid expenses and other current assets	18,248	26,370
Income tax receivable	1,655	1,862
Deferred income taxes	1,646	1,723
Total current assets	292,786	301,715
Investment securities	10,541	12,413
Equity investments	22,340	21,648
Property, plant and equipment, net	78,458	69,783
Goodwill	102,967	105,874
Intangible assets, net	189,069	158,455
Deferred income taxes	673	717
Other assets	6,118	6,908
Total assets	\$702,952	\$677,513
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$71,739	\$71,403
Accrued expenses and other current liabilities	51,690	51,744
Income taxes payable	4,006	3,067
Accrued sales incentives	16,330	14,097
Deferred income taxes	560	1,060
Current portion of long-term debt	85,179	6,032
Total current liabilities	229,504	147,403
Long-term debt	17,298	79,455
Capital lease obligation	1,454	733
Deferred compensation	4,404	4,650
Other tax liabilities	5,013	5,157
Deferred tax liabilities	35,339	34,327
Other long-term liabilities	10,827	9,648
Total liabilities	303,839	281,373
Commitments and contingencies (see Note 21)		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding (see Note 18)	—	—
Common stock:		
	256	255

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Class A, \$.01 par value; 60,000,000 shares authorized, 24,067,444 and 24,003,240 shares issued, 21,898,465 and 21,873,790 shares outstanding at November 30, 2015 and February 28, 2015, respectively

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Class B Convertible, \$.01 par value, 10,000,000 authorized, 2,260,954 shares issued and outstanding	22	22	
Paid-in capital	293,390	292,427	
Retained earnings	160,298	157,629	
Non-controlling interest	10,111	—	
Accumulated other comprehensive loss	(43,779)) (33,235)
Treasury stock, at cost, 2,168,979 and 2,129,450 shares of Class A Common Stock at November 30, 2015 and February 28, 2015, respectively	(21,185) (20,958)
Total stockholders' equity	399,113	396,140	
Total liabilities and stockholders' equity	\$ 702,952	\$ 677,513	
See accompanying notes to consolidated financial statements.			

VOXX International Corporation and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Net sales	\$192,506	\$223,356	\$511,063	\$587,598
Cost of sales	136,663	154,399	362,202	413,184
Gross profit	55,843	68,957	148,861	174,414
Operating expenses:				
Selling	12,464	13,623	36,182	41,229
General and administrative	29,536	29,587	83,530	88,290
Engineering and technical support	9,459	9,103	26,190	27,579
Intangible asset impairment charges	—	—	6,210	—
Acquisition costs	800	—	800	—
Total operating expenses	52,259	52,313	152,912	157,098
Operating income (loss)	3,584	16,644	(4,051)	17,316
Other income (expense):				
Interest and bank charges	(1,772)	(1,825)	(4,964)	(5,010)
Equity in income of equity investees	1,927	1,245	5,002	4,631
Venezuela currency devaluation, net	—	—	(34)	(6,232)
Gain on bargain purchase	4,679	—	4,679	—
Other, net	636	142	1,137	1,416
Total other income (expense), net	5,470	(438)	5,820	(5,195)
Income before income taxes	9,054	16,206	1,769	12,121
Income tax expense (benefit)	2,968	584	791	(1,308)
Net income	\$6,086	\$15,622	\$978	\$13,429
Less: net loss attributable to non-controlling interest	(1,691)	—	(1,691)	—
Net income attributable to Voxx International Corporation	\$7,777	\$15,622	\$2,669	\$13,429
Other comprehensive loss:				
Foreign currency translation adjustments	(7,993)	(8,342)	(9,026)	(15,783)
Derivatives designated for hedging	(32)	578	(1,673)	1,529
Pension plan adjustments	155	64	154	124
Unrealized holding loss on available-for-sale investment securities arising during the period, net of tax	5	5	1	7
Other comprehensive loss, net of tax	(7,865)	(7,695)	(10,544)	(14,123)
Comprehensive (loss) income attributable to Voxx International Corporation	\$(88)	\$7,927	\$(7,875)	\$(694)
Net income per common share attributable to Voxx International Corporation (basic)	\$0.32	\$0.64	\$0.11	\$0.55
Net income per common share attributable to Voxx International Corporation (diluted)	\$0.32	\$0.64	\$0.11	\$0.55
Weighted-average common shares outstanding (basic)	24,183,791	24,322,307	24,177,061	24,396,987
Weighted-average common shares outstanding (diluted)	24,219,555	24,340,534	24,211,651	24,418,298

See accompanying notes to consolidated financial statements.

VOXX International Corporation and Subsidiaries
 Consolidated Statements of Cash Flows
 (In thousands)
 (unaudited)

	Nine Months Ended November 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$978	\$13,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,356	12,189
Amortization of debt discount	847	838
Impairment charges	6,210	—
Bad debt expense	615	371
Interest on notes receivable from EyeLock, Inc.	(677) —
(Gain) loss on forward contracts	(3,289) 40
Equity in income of equity investees	(5,002) (4,631)
Distribution of income from equity investees	4,309	3,912
Deferred income tax benefit	(1,491) (450)
Non-cash compensation adjustment	350	598
Non-cash stock based compensation expense	686	291
Venezuela currency devaluation on investment securities	23	6,702
(Gain) loss on sale of property, plant and equipment	(202) 255
Gain on sale of intangible asset	(30) —
Gain on bargain purchase	(4,679) —
Changes in operating assets and liabilities:		
Accounts receivable	(1,491)