

KEY TRONIC CORP  
Form 10-Q  
November 08, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED SEPTEMBER 29, 2018

OR

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

FOR THE PERIOD FROM            TO            .

Commission File Number 0-11559

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KEY TRONIC CORPORATION  
(Exact name of registrant as specified in its charter)

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Washington                      91-0849125  
(State of Incorporation) (I.R.S. Employer Identification No.)  
N. 4424 Sullivan Road  
Spokane Valley, Washington 99216  
(509) 928-8000

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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 during the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations 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.

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.

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

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As of November 6, 2018, 10,759,680 shares of common stock, no par value (the only class of common stock), were outstanding.

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KEY TRONIC CORPORATION

Index

	Page No.
<b>PART I. <u>FINANCIAL INFORMATION:</u></b>	
Item 1. <u>Financial Statements (Unaudited):</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Statements of Income</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Consolidated Statements of Shareholders' Equity</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	8-21
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22-34
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>34</u>
Item 4. <u>Controls and Procedures</u>	<u>34</u>
<b>PART II. <u>OTHER INFORMATION:</u></b>	
Item 1. <u>Legal Proceedings</u>	<u>35</u>
Item 1A. <u>Risk Factors</u>	<u>35</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds*	
Item 3. Defaults upon Senior Securities*	
Item 4. Mine Safety Disclosures*	
Item 5. Other Information*	
Item 6. <u>Exhibits</u>	<u>35</u>
<u>Signatures</u>	<u>36</u>

\* Items are not applicable

“We,” “us,” “our,” “Company,” “KeyTronicEMS” and “KeyTronic,” unless the context otherwise requires, means Key Tronic Corporation and its subsidiaries.

## PART I: FINANCIAL INFORMATION

## Item 1: Financial Statements

## KEY TRONIC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	September 29, 2018	June 30, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,359	\$ 343
Trade receivables	64,599	70,262
Contract assets	16,772	—
Inventories, net	99,534	110,315
Other	17,026	13,600
Total current assets	199,290	194,520
Property, plant and equipment, net	27,606	27,548
Other assets:		
Deferred income tax asset	7,145	7,882
Goodwill	9,957	9,957
Other intangible assets, net	3,496	3,726
Other	3,490	2,895
Total other assets	24,088	24,460
Total assets	\$ 250,984	\$ 246,528
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 77,583	\$ 76,198
Accrued compensation and vacation	7,199	8,105
Current portion of debt, net	5,841	5,841
Other	6,977	8,769
Total current liabilities	97,600	98,913
Long-term liabilities:		
Term loans	11,472	12,932
Revolving loan	18,170	16,222
Other long-term obligations	322	380
Total long-term liabilities	29,964	29,534
Total liabilities	127,564	128,447
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common stock, no par value—shares authorized 25,000; issued and outstanding 10,760 and 10,760 shares, respectively	46,412	46,244
Retained earnings	74,928	72,806
Accumulated other comprehensive gain (loss)	2,080	(969 )
Total shareholders' equity	123,420	118,081
Total liabilities and shareholders' equity	\$ 250,984	\$ 246,528
See accompanying notes to consolidated financial statements.		

KEY TRONIC CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited, in thousands, except per share amounts)

	Three Months Ended	
	September	September
	29, 2018	30, 2017
Net sales	\$ 127,472	\$ 109,217
Cost of sales	117,939	101,372
Gross profit	9,533	7,845
Research, development and engineering expenses	1,700	1,510
Selling, general and administrative expenses	5,288	5,171
Total operating expenses	6,988	6,681
Operating income	2,545	1,164
Interest expense, net	677	594
Income before income taxes	1,868	570
Income tax provision	275	138
Net income	\$ 1,593	\$ 432
Net income per share — Basic	\$0.15	\$0.04
Weighted average shares outstanding — Basic	10,760	10,760
Net income per share — Diluted	\$0.15	\$0.04
Weighted average shares outstanding — Diluted	10,979	10,760

See accompanying notes to consolidated financial statements.

KEY TRONIC CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited, in thousands)

Three Months Ended