

ULTRALIFE CORP
Form 10-Q
November 04, 2014

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 Quarter Ended September 28, 2014

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 0-27460

(Exact name of registrant as specified in its charter)

Delaware

16-1387013

(State or other jurisdiction of incorporation) (I.R.S. Employer Identification No.)

2000 Technology Parkway

14513

Newark, New York

(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: **(315) 332-7100**

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 (§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, or a non-accelerated filer: 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 outstanding of the registrant's common stock was 17,397,010, net of 1,544,534 treasury shares, as of October 31, 2014.

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PART I. FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

ULTRALIFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

(unaudited)

ASSETS

	September 28, 2014	December 31, 2013
Current assets:		
Cash and cash equivalents	\$15,571	\$16,489
Trade accounts receivable, net of allowance for doubtful accounts of \$289 and \$288, respectively	10,470	14,238
Inventories, net	28,500	26,053
Prepaid expenses and other current assets	1,515	1,357
Due from insurance company	428	430
Deferred income taxes	86	91
Total current assets	56,570	58,658
Property, equipment and improvements, net	9,897	10,202
Goodwill	16,407	16,419
Other intangible assets, net	4,413	4,646
Security deposits and other non-current assets	253	269
Total assets	\$87,540	\$90,194

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$7,142	\$7,053
Accrued compensation and related benefits	1,565	1,908
Accrued expenses and other current liabilities	3,278	3,111
Income taxes payable	40	94
Deferred income taxes	9	9
Total current liabilities	12,034	12,175
Deferred income taxes	4,407	4,242
Other non-current liabilities	89	132
Total liabilities	16,530	16,549

Commitments and contingencies (Note 10)

Shareholders' equity:

Preferred stock – par value \$.10 per share; authorized 1,000,000 shares; none issued

Common stock – par value \$.10 per share; authorized 40,000,000 shares; issued – 18,941,544 shares at September 28, 2014 and 18,851,579

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shares at December 31, 2013	1,894		1,888	
Capital in excess of par value	175,698		174,932	
Accumulated deficit	(97,773)	(94,804)
Accumulated other comprehensive loss	(450)	(614)
Treasury stock - at cost; 1,544,534 shares at September 28, 2014 and 1,372,757 shares at December 31, 2013	(8,247)	(7,658)
Total Ultralife equity	71,122		73,744	
Noncontrolling interest	(112)	(99)
Total shareholders' equity	71,010		73,645	
Total liabilities and shareholders' equity	\$87,540		\$90,194	

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

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ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In Thousands except per share amounts)
(unaudited)

	Three month periods ended		Nine month periods ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Revenues	\$ 16,062	\$ 20,361	\$ 46,546	\$ 58,659
Cost of products sold	11,576	14,234	33,513	41,631
Gross profit	4,486	6,127	13,033	17,028
Operating expenses:				
Research and development	1,014	1,418	4,010	4,456
Selling, general and administrative	3,527	4,057	11,498	13,419
Total operating expenses	4,541	5,475	15,508	17,875
Operating (loss) income	(55)	652	(2,475)	(847)
Other (expense) income:				
Interest income	3	13	12	27
Interest and financing expense	(56)	(66)	(153)	(199)
Miscellaneous	(158)	(8)	(128)	(31)
(Loss) income from continuing operations before income taxes	(266)	591	(2,744)	(1,050)
Income tax provision (benefit)	60	(16)	177	135
Net (loss) income from continuing operations	(326)	607	(2,921)	(1,185)
Income (loss) from discontinued operations, net of tax	—	15	(61)	159
Net (loss) income	(326)	622	(2,982)	(1,026)
Net loss attributable to noncontrolling interest	3	22	13	31
Net (loss) income attributable to Ultralife	(323)	644	(2,969)	(995)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	29	32	164	53
Comprehensive (loss) income attributable to Ultralife	\$(294)	\$ 676	\$(2,805)	\$(942)
Net (loss) income per share attributable to Ultralife common shareholders – basic:				
Continuing operations	\$(.02)	\$.04	\$(.17)	\$(.07)

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Discontinued operations	—	.00	(.00)	.01
Total	\$(.02)	\$.04	\$(.17)	\$(.06)

Net (loss) income per share attributable to Ultralife common shareholders – diluted:

Continuing operations	\$.04
Discontinued operations	.00
Total	\$.04

Weighted average shares outstanding – basic	17,490	17,467	17,510	17,461
Weighted average shares outstanding – diluted		17,532		

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

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ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(unaudited)

	Nine month periods ended	
	September 28, 2014	September 29, 2013
OPERATING ACTIVITIES:		
Net loss	\$(2,982)	\$(1,026)
Loss (gain) from discontinued operations, net of tax	61	(159)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:		
Depreciation and amortization of financing fees	2,227	2,331
Amortization of intangible assets	232	301
Loss on long-lived asset impairment	—	56
Foreign exchange loss	—	33
Stock-based compensation	761	740
Changes in deferred income taxes	165	170
Changes in operating assets and liabilities:		
Accounts receivable	3,755	5,380
Inventories	(2,460)	2,622
Prepaid expenses and other assets	(197)	(231)
Accounts payable and other liabilities	(1,057)	(7,818)
Net cash provided by operating activities from continuing operations	505	2,399
Net cash used in operating activities of discontinued operations	—	(998)
Net cash provided by operating activities	505	1,401
INVESTING ACTIVITIES:		
Cash paid for property, equipment and improvements	(968)	(736)
Change in restricted cash	—	(2)
Net cash used in investing activities from continuing operations	(968)	(738)
Net cash provided by investing activities from discontinued operations	—	182
Net cash used in investing activities	(968)	(556)
FINANCING ACTIVITIES:		
Cash paid to repurchase treasury stock	(589)	—
Proceeds from exercise of stock options	11	12
Net cash (used in) provided by financing activities	(578)	12
Effect of exchange rate changes on cash and cash equivalents	123	(148)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(918)	709
Cash and cash equivalents, beginning of period	16,489	9,656
Cash and cash equivalents, end of period	\$15,571	\$10,365

NON-CASH ITEMS:

Construction in process in accounts payable	\$903	\$—
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The accompanying notes are an integral part of these consolidated financial statements.

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ULTRALIFE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar and Renminbi amounts in thousands – except share and per share amounts)

(unaudited)

I.

BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolida