

KEY TRONIC CORP
Form 10-Q
February 09, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934
FOR THE PERIOD ENDED DECEMBER 26, 2009**

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

KEY TRONIC CORPORATION

(Exact name of registrant as specified in its charter)

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Washington
(State of Incorporation)

91-0849125
(I.R.S. Employer Identification No.)

N. 4424 Sullivan Road

Spokane Valley, Washington 99216

(509) 928-8000

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

As of February 5, 2010, 10,090,140 shares of common stock, no par value (the only class of common stock), were outstanding.

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KEY TRONIC CORPORATION

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* Items are not applicable

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PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

KEY TRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	December 26, 2009	June 27, 2009
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,217	\$ 729
Trade receivables, net allowance for doubtful accounts of \$111 and \$111	26,197	24,867
Inventories	28,906	32,291
Other	3,320	3,168
Total current assets	65,640	61,055
Property, plant and equipment - net	11,597	11,199
Other assets:		
Restricted cash		124
Deferred income tax asset	4,576	4,611
Other	700	766
Total other assets	5,276	5,501
Total assets	\$ 82,513	\$ 77,755
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 23,291	\$ 18,703
Accrued compensation and vacation	3,645	3,198
Current portion of other long-term obligations	243	359
Other	1,797	1,351
Total current liabilities	28,976	23,611
Long-term liabilities:		
Revolving loan		2,412
Other long-term obligations	674	618
Total long-term liabilities	674	3,030
Total liabilities	29,650	26,641
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, no par value - shares authorized 25,000; issued and outstanding 10,090 and 10,066 shares, respectively	39,396	39,359

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Retained earnings	12,808	10,843
Accumulated other comprehensive income	659	912
Total shareholders' equity	52,863	51,114
Total liabilities and shareholders' equity	\$ 82,513	\$ 77,755

See accompanying notes to consolidated financial statements.

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KEY TRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Second Quarters Ended	
	December 26, 2009	December 27, 2008
	(in thousands, except per share amounts)	
Net sales	\$ 44,750	\$ 46,990
Cost of sales	40,040	43,174
Gross profit on sales	4,710	3,816
Operating expenses:		
Research, development and engineering	704	592
Selling, general and administrative	2,273	2,056
Goodwill impairment		765
Total operating expenses	2,977	3,413
Operating income	1,733	403
Interest expense	19	180
Income before income tax provision	1,714	223
Income tax provision	44	117
Net income	\$ 1,670	\$ 106
Earnings per share - basic	\$ 0.17	\$ 0.01
Weighted average shares outstanding - basic	10,087	10,065
Earnings per share - diluted	\$ 0.17	\$ 0.01
Weighted average shares outstanding - diluted	10,110	10,073
See accompanying notes to consolidated financial statements.		

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KEY TRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Six Months Ended	
	December 26, 2009	December 27, 2008
	(in thousands, except per share amounts)	
Net sales	\$ 86,059	\$ 95,227
Cost of sales	78,674	88,004
Gross profit on sales	7,385	7,223
Operating expenses:		
Research, development and engineering	1,267	1,218
Selling, general and administrative	4,009	4,193
Goodwill impairment		765
Total operating expenses	5,276	6,176
Operating income	2,109	1,047
Interest expense	64	362
Income before income tax provision	2,045	685
Income tax provision	80	171
Net income	\$ 1,965	\$ 514
Earnings per share - basic	\$ 0.19	\$ 0.05
Weighted average shares outstanding - basic	10,076	10,053
Earnings per share - diluted	\$ 0.19	\$ 0.05
Weighted average shares outstanding - diluted	10,094	10,081

See accompanying notes to consolidated financial statements.

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KEY TRONIC CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	December 26, 2009	December 27, 2008	December 26, 2009	December 27, 2008
	(in thousands)		(in thousands)	
Net income	\$ 1,670	\$ 106	\$ 1,965	\$ 514
Other comprehensive (loss) income:				
Change in fair market value of foreign exchange contracts	776	(113)	507	(113)
Comprehensive (loss) income	\$ 2,446	\$ (7)	\$ 2,472	\$ 401

See accompanying notes to consolidated financial statements.

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KEY TRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
	December 26, 2009	December 27, 2008
	(in thousands)	
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	\$ 1,965	\$ 514
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	780	768
Goodwill impairment		765
Provision for doubtful accounts		75
Provision for obsolete inventory	1,425	200
Provision for warranty	16	21
Loss on disposal of assets	9	3
Changes in operating assets and liabilities:		
Trade receivables	(1,330)	6,441
Inventories	1,960	176
Other assets	(310)	610
Accounts payable	4,588	(7,011)
Accrued compensation and vacation	447	(1,832)
Other liabilities	523	124
Cash provided by operating activities	10,073	854
Cash flows from investing activities:		
Purchase of property and equipment	(1,170)	(260)
Cash used in investing activities	(1,170)	(260)
Cash flows from financing activities:		
Payment of financing costs	(50)	(50)
Repayment of long term debt	(114)	(135)
Decrease (increase) in restricted cash	124	(486)
Borrowings under revolving credit agreement	9,763	104,021
Repayment of revolving credit agreement	(12,175)	(105,374)
Proceeds from exercise of stock options	37	58
Cash used in financing activities	(2,415)	(1,966)
Net increase (decrease) in cash and cash equivalents	6,488	(1,372)
Cash and cash equivalents, beginning of period	729	2,879
Cash and cash equivalents, end of period	\$ 7,217	\$ 1,507
Supplemental cash flow information:		
Interest payments	\$ 82	\$ 375
Income tax payments, net of refunds	\$ 64	\$ 310
See accompanying notes to consolidated financial statements.		

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KEY TRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements included herein have been prepared by Key Tronic Corporation and subsidiaries (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC).