

PULSE ELECTRONICS CORP

Form 10-Q

November 10, 2014

UNITED STATES  
SECURITIES & EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

The Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended September 26, 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 No. 1-5375

PULSE ELECTRONICS CORPORATION

(Exact name of registrant as specified in its Charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or  
organization)

12220 World Trade Drive

San Diego, CA

(Address of principal executive offices)

Registrant's telephone number, including area code:

23-1292472

(IRS Employer Identification Number)

92128

(Zip Code)

858-674-8100

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 the 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 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 (as defined in Rule 12b-2 of the Act).

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 the number of shares outstanding of each of the issuer's classes of Common Stock, as of November 10, 2014:  
17,475,139



Table of Contents

PART I	FINANCIAL INFORMATION	PAGE
Item 1.	Financial Statements	
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss (Unaudited)</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>6</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
Item 4.	<u>Controls and Procedures</u>	<u>25</u>
PART II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	<u>26</u>
Item 1a.	<u>Risk Factors</u>	<u>26</u>
Item 6.	<u>Exhibits</u>	<u>26</u>
	<u>Exhibit Index</u>	<u>27</u>
	<u>Signatures</u>	<u>28</u>

Table of Contents

Pulse Electronics Corporation and Subsidiaries  
Condensed Consolidated Balance Sheets  
(Unaudited)  
In thousands, except share and per share data

	September 26, 2014	December 27, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$22,433	\$26,902
Accounts receivable, net	61,373	62,185
Inventory, net	35,698	36,726
Prepaid expenses and other current assets	18,093	18,966
Total current assets	137,597	144,779
Long-term assets:		
Property, plant and equipment	97,655	96,610
Less accumulated depreciation	72,684	68,655
Net property, plant and equipment	24,971	27,955
Deferred income taxes	4,557	4,557
Intangible assets, net	2,040	2,040
Deferred loan costs and other assets	9,753	9,503
Total assets	\$178,918	\$188,834
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable	\$67,840	\$70,871
Accrued expenses and other current liabilities	36,863	36,335
Current portion of long-term debt	—	22,315
Total current liabilities	104,703	129,521
Long-term liabilities:		
Long-term debt	121,541	90,030
Deferred income taxes	11,786	11,786
Other long-term liabilities	12,418	11,055
Total liabilities	250,448	242,392
Commitments and contingencies ( Note 5 )		
Shareholders' deficit		
Pulse Electronics Corporation shareholders' deficit:		
Preferred stock, no par value, 2,000 shares authorized; 0 and 1,000 shares outstanding at September 26, 2014 and December 27, 2013, respectfully	—	—
Common stock, \$0.125 par value, 31,000,000 shares authorized; 17,475,332 and 7,955,508 outstanding at September 26, 2014 and December 27, 2013, respectively	2,152	995
Additional paid-in capital	262,045	257,816
Accumulated deficit	(362,920)	(339,618)
Accumulated other comprehensive income	20,970	21,057
Total Pulse Electronics Corporation shareholders' deficit	(77,753)	(59,750)
Non-controlling interest	6,223	6,192
Total shareholders' deficit	(71,530)	(53,558)
	\$178,918	\$188,834

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

3

---

Table of ContentsPulse Electronics Corporation and Subsidiaries  
Condensed Consolidated Statements of Operations  
(Unaudited)

In thousands, except per share data

	Three Months Ended		Nine Months Ended	
	September 26, 2014	September 27, 2013	September 26, 2014	September 27, 2013
Net sales	\$88,205	\$94,840	\$263,424	\$267,904
Cost of sales	67,029	73,194	204,985	205,327
Gross profit	21,176	21,646	58,439	62,577
Selling, general and administrative expenses	17,434	18,453	52,404	56,710
Severance, impairment and other associated costs	1,247	2,670	3,184	2,782
CEO transition costs	4,053	—	4,053	—
Operating (loss) profit	(1,558	) 523	(1,202	) 3,085
Other expense:				
Interest exp				