

INTRICON CORP
Form 10-Q
May 07, 2012
[Table of Contents](#)

**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 March 31, 2012

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: 1-5005

INTRICON CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of
incorporation or organization)

23-1069060

(I.R.S. Employer Identification No.)

1260 Red Fox Road

Arden Hills, Minnesota

(Address of principal executive offices)

55112

(Zip Code)

(651) 636-9770

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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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 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, a non-accelerated filer, or a smaller reporting company. See the definitions 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 by Rule 12b-2 of the Exchange Act).

Yes No

The number of outstanding shares of the registrant's common stock, \$1.00 par value, on April 30, 2012 was 5,669,426.

INTRICON CORPORATION

INDEX

	Page Numbers
<u>PART I: FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Condensed Balance Sheets as of March 31, 2012 (Unaudited) and December 31, 2011</u>	3
<u>Consolidated Condensed Statements of Operations (Unaudited) for the Three Months Ended March 31, 2012 and 2011</u>	4
<u>Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited) for the Three Months Ended March 31, 2012 and 2011</u>	5
<u>Consolidated Condensed Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2012 and 2011</u>	6
<u>Notes to Consolidated Condensed Financial Statements (Unaudited)</u>	7-14
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15-23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4. Controls and Procedures</u>	24
<u>PART II: OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	25
<u>Item 1A. Risk Factors</u>	25
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 3. Defaults Upon Senior Securities</u>	25
<u>Item 4. Mine Safety Disclosures</u>	25
<u>Item 5. Other Information</u>	25
<u>Item 6. Exhibits</u>	26
<u>Signatures</u>	27
<u>Exhibit Index</u>	28

Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. Financial Statements**

INTRICON CORPORATION
Consolidated Condensed Balance Sheets
(In Thousands, Except Per Share Amounts)

	March 31, 2012 (Unaudited)	December 31, 2011
Current assets:		
Cash	\$ 208	\$ 119
Restricted cash	558	540
Accounts receivable, less allowance for doubtful accounts of \$222 at March 31, 2012 and \$223 at December 31, 2011	7,535	8,545
Inventories	11,759	11,720
Refundable income taxes	99	82
Other current assets	1,171	652
Total current assets	21,330	21,658
Machinery and equipment	39,520	39,170
Less: Accumulated depreciation	32,603	32,164
Net machinery and equipment	6,917	7,006
Goodwill	9,709	9,709
Investment in partnerships	1,296	1,283
Other assets, net	1,031	1,074
Total assets	\$ 40,283	\$ 40,730
Current liabilities:		
Checks written in excess of cash	\$ 568	\$ 396
Current maturities of long-term debt	3,222	2,883
Accounts payable	5,725	6,298
Accrued salaries, wages and commissions	1,988	1,617
Deferred gain	110	110
Partnership payable	240	240
Other accrued liabilities	1,816	1,907
Total current liabilities	13,669	13,451
Long-term debt, less current maturities	7,158	8,217
Other postretirement benefit obligations	681	685
Accrued pension liabilities	434	431
Deferred gain	358	385
Other long-term liabilities	119	115
Total liabilities	22,419	23,284
Commitments and contingencies (note 10)		
Shareholders' equity:		
Common stock, \$1.00 par value per share; 20,000 shares authorized; 5,666 and 5,646 shares issued outstanding at March 31, 2012 and December 31, 2011, respectively	5,666	5,646
Additional paid-in capital	15,401	15,259
Accumulated deficit	(2,826)	(3,069)
Accumulated other comprehensive loss	(377)	(390)
Total shareholders' equity	17,864	17,446
Total liabilities and shareholders' equity	\$ 40,283	\$ 40,730

(See accompanying notes to the consolidated condensed financial statements)

Table of Contents

INTRICON CORPORATION
Consolidated Condensed Statements of Operations
(In Thousands, Except Per Share Amounts)

	Three Months Ended	
	March 31, 2012 (Unaudited)	March 31, 2011 (Unaudited)
Sales, net	\$ 16,524	\$ 13,768
Cost of sales	12,367	10,688
Gross profit	4,157	3,080
Operating expenses:		
Sales and marketing	875	803
General and administrative	1,626	1,404
Research and development	1,137	1,249
Total operating expenses	3,638	3,456
Operating income (loss)	519	(376)
Interest expense	(179)	(142)
Equity in income (loss) of partnerships	(24)	209
Other (expense) income	(39)	(8)
Income (loss) before income taxes	277	(317)
Income tax expense (benefit)	34	(27)
Net income (loss)	\$ 243	\$ (290)
Net income (loss) per share:		
Basic	\$ 0.04	\$ (0.05)
Diluted	\$ 0.04	\$ (0.05)
Average shares outstanding:		
Basic	5,654	5,559
Diluted	5,933	5,559

(See accompanying notes to the consolidated condensed financial statements)

Table of Contents

INTRICON CORPORATION
Consolidated Condensed Statements of Comprehensive Income (Loss)
(In Thousands)

	Three Months Ended	
	March 31, 2012	March 31, 2011
	(Unaudited)	(Unaudited)
Net income (loss)	\$ 243	\$ (290)
Change in fair value of interest rate swap	(1)	
Gain (loss) on foreign currency translation adjustment	14	(34)
Comprehensive income (loss)	\$ 256	\$ (324)

(See accompanying notes to the consolidated condensed financial statements)

Table of Contents

INTRICON CORPORATION
Consolidated Condensed Statements of Cash Flows
(In Thousands)

	Three Months Ended	
	March 31, 2012	March 31, 2011
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income (loss)	\$ 243	\$ (290)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	541	582
Stock-based compensation	96	19
Loss on disposition of property	13	8
Change in deferred gain	(28)	(28)
Change in allowance for doubtful accounts	(2)	1
Equity in (income) loss of partnerships	24	(209)
Provision for deferred income taxes		20
Changes in operating assets and liabilities:		
Accounts receivable	1,014	636
Inventories	(39)	(216)
Other assets	(590)	(264)
Accounts payable	(577)	1,094
Accrued expenses	311	(111)
Other liabilities	(2)	(81)
Net cash provided by operating activities	1,004	1,161
Cash flows from investing activities:		
Purchases of property, plant and equipment	(398)	(188)
Net cash used in investing activities	(398)	(188)
Cash flows from financing activities:		
Proceeds from long-term borrowings	3,734	2,418
Repayments of long-term borrowings	(4,471)	(2,951)
Proceeds from employee stock purchases and exercise of stock options	65	20
Change in restricted cash	(18)	1
Change in checks written in excess of cash	172	(335)
Net cash used in financing activities	(518)	(847)
Effect of exchange rate changes on cash	1	(8)
Net increase in cash	89	118
Cash, beginning of period	119	281
Cash, end of period	\$ 208	\$ 399

(See accompanying notes to the consolidated condensed financial statements)

Table of Contents**INTRICON CORPORATION****Notes to Consolidated Condensed Financial Statements (Unaudited) (In Thousands, Except Per Share Data)****1. General**

In the opinion of management, the accompanying consolidated condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly IntriCon Corporation's (IntriCon or the Company) consolidated financial position as of March 31, 2012 and December 31, 2011, and the consolidated results of its operations for the three months ended March 31, 2012 and 2011. Results of operations for the interim periods are not necessarily indicative of the results of the operations expected for the full year or any other interim period.

The Company has evaluated subsequent events occurring after the date of the consolidated financial statements for events requiring recording or disclosure in the financial statements.

2. New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update number 2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued ASU No. 2011-12, Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05 (ASU 2011-12), which defers the effective date of those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. The adoption of ASU 2011-05 and ASU 2011-12 resulted in a change in how the Company presents the components of comprehensive income effective for the March 31, 2012 quarter-end.

3. Product Warranty

In general, the Company warrants its products to be free from defects in material and workmanship and will fully conform to and perform to specifications for a period of one year. The following table presents changes in the Company's warranty liability for the three months ended March 31, 2012 and the year ended December 31, 2011:

	March 31, 2012	December 31, 2011
Beginning balance	\$ 82	\$ 105
Warranty expense		27
Closed warranty claims	(9)	(50)
Ending balance	\$ 73	\$ 82

4. Geographic Information

The geographical distribution of long-lived assets to geographical areas consisted of the following at:

	March 31, 2012	December 31, 2011
United States	\$ 5,427	\$ 5,382
Other primarily Singapore	1,880	2,014
Consolidated	\$ 7,307	\$ 7,396

Table of Contents

Long-lived assets consist of property and equipment and certain other assets as they are difficult to move and relatively illiquid. Excluded from long-lived assets are investments in partnerships, patents, license agreemen