

EMERSON RADIO CORP
Form 10-Q
November 09, 2016

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 September 30, 2016

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 001-07731

EMERSON RADIO CORP.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

22-3285224
(I.R.S. Employer
Identification No.)

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3 University Plaza, Suite 405, Hackensack, NJ 07601
(Address of principal executive offices) (Zip code)

(973) 428-2000

(Registrant's telephone number, including area code)

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 website, 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. (Check one):

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

Indicate the number of shares outstanding of common stock as of November 9, 2016: 27,129,832.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Net Revenues: | | | | |
| Net product sales | \$4,844 | \$7,780 | \$10,315 | \$26,067 |
| Licensing revenue | 1,185 | 1,163 | 2,348 | 2,388 |
| Net revenues | 6,029 | 8,943 | 12,663 | 28,455 |
| Costs and expenses: | | | | |
| Cost of sales | 4,462 | 7,546 | 9,560 | 24,551 |
| Other operating costs and expenses | 44 | 167 | 177 | 241 |
| Selling, general and administrative expenses | 1,196 | 2,081 | 2,683 | 4,401 |
| | 5,702 | 9,794 | 12,420 | 29,193 |
| Operating income (loss) | 327 | (851) | 243 | (738) |
| Other income: | | | | |
| Interest income, net | 57 | 39 | 108 | 78 |
| Income (loss) before income taxes | 384 | (812) | 351 | (660) |
| Provision (benefit) for income taxes | 219 | (102) | 240 | (71) |
| Net income (loss) | \$165 | \$(710) | \$111 | \$(589) |
| Net income (loss) per share: | | | | |
| Basic | \$0.01 | \$(0.03) | \$0.00 | \$(0.02) |
| Diluted | \$0.01 | \$(0.03) | \$0.00 | \$(0.02) |
| Weighted average shares outstanding: | | | | |
| Basic | 27,130 | 27,130 | 27,130 | 27,130 |
| Diluted | 27,130 | 27,130 | 27,130 | 27,130 |

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

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands except share data)

| | September 30, 2016 | March 31, 2016 |
|--|-----------------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 39,025 | \$ 30,096 |
| Restricted cash | - | 500 |
| Short term investments | 13,064 | 20,155 |
| Trade accounts receivable, net | 870 | 2,800 |
| Royalty receivable | 248 | 1,292 |
| Inventory | 3,888 | 2,056 |
| Prepaid purchases | 516 | 871 |
| Prepaid expenses and other current assets | 800 | 556 |
| Total Current Assets | 58,411 | 58,326 |
| Property, plant, and equipment, net | 25 | 29 |
| Deferred tax assets | 1,319 | 1,401 |
| Other assets | 132 | 132 |
| Total Non-current Assets | 1,476 | 1,562 |
| Total Assets | \$ 59,887 | \$ 59,888 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and other current liabilities | 1,118 | 1,691 |
| Deferred revenue | 938 | - |
| Due to affiliates | - | 512 |
| Income tax payable | 490 | 455 |
| Total Current Liabilities | 2,546 | 2,658 |
| Long term liabilities | - | - |
| Total Non-current Liabilities | - | - |
| Total Liabilities | \$ 2,546 | \$ 2,658 |
| Shareholders' Equity: | | |
| Series A Preferred shares — 10,000,000 shares authorized; 3,677 shares | | |
| issued and outstanding at September 30, 2016 and March 31, 2016 respectively; liquidation preference of \$3,677,000 at September 30, 2016 and March 31, 2016, respectively | 3,310 | 3,310 |
| Common shares — \$0.01 par value, 75,000,000 shares authorized; 52,965,797 shares | | |
| issued at September 30, 2016 and March 31, 2016, respectively; 27,129,832 | | |
| shares outstanding at September 30, 2016 and March 31, 2016, respectively | 529 | 529 |
| Additional paid-in capital | 79,792 | 79,792 |

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| | | |
|---|-----------|-----------|
| Accumulated deficit | (2,066) | (2,177) |
| Treasury stock, at cost (25,835,965 shares) | (24,224) | (24,224) |
| Total Shareholders' Equity | 57,341 | 57,230 |
| Total Liabilities and Shareholders' Equity | \$ 59,887 | \$ 59,888 |

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

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

| | Six Months Ended | |
|--|-----------------------|--------------|
| | September 30, 2016 | 2015 |
| Cash Flows from Operating Activities: | | |
| Net income (loss) | \$111 | \$(589) |
| Adjustments to reconcile net income to net cash used by operating activities: | | |
| Depreciation and amortization | 7 | 33 |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | 2,020 | 1,315 |
| Royalty receivable | 1,044 | 2,216 |
| Due to affiliates | (512) | - |
| Inventory | (1,832) | (67) |
| Prepaid purchases | 355 | 1,625 |
| Prepaid expenses and other current assets | (244) | 74 |
| Deferred tax assets and liabilities | 82 | (162) |
| Other assets | - | (25) |
| Accounts payable and other current liabilities | (573) | 495 |
| Long term liabilities | - | 84 |
| Asset allowances, reserves and other | (90) | (242) |
| Deferred revenue | 938 | - |
| Income taxes payable | 35 | 160 |
| Net cash provided by operating activities | 1,341 | 4,917 |
| Cash Flows from Investing Activities: | | |