

EMERSON RADIO CORP  
Form 10-Q  
August 15, 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 June 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 August 15, 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	
	June 30 2016	2015
Net Revenues:		
Net product sales	\$5,471	\$18,287
Licensing revenue	1,163	1,225
Net revenues	6,634	19,512
Costs and expenses:		
Cost of sales	5,098	17,005
Other operating costs and expenses	133	74
Selling, general and administrative expenses	1,487	2,320
	6,718	19,399
Operating (loss) income	(84 )	113
Other income:		
Interest income, net	51	39
(Loss) income before income taxes	(33 )	152
Provision for income taxes	21	31
Net (loss) income	\$(54 )	\$121
Net (loss) income per share:		
Basic	\$0.00	\$0.00
Diluted	\$0.00	\$0.00
Weighted average shares outstanding:		
Basic	27,130	27,130
Diluted	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)

	June 30, 2016	March 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$42,728	\$30,096
Restricted cash	-	500
Short term investments	10,154	20,155
Trade accounts receivable, net	1,458	2,800
Royalty receivable	225	1,292
Inventory	3,833	2,056
Prepaid purchases	943	871
Prepaid expenses and other current assets	605	556
Total Current Assets	59,946	58,326
Property, plant, and equipment, net	27	29
Deferred tax assets	1,383	1,401
Other assets	131	132
Total Non-current Assets	1,541	1,562
Total Assets	\$61,487	\$59,888
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and other current liabilities	1,980	1,691
Deferred revenue	1,875	-
Due to affiliates	-	512
Income tax payable	456	455
Total Current Liabilities	4,311	2,658
Long term liabilities	-	-
Total Non-current Liabilities	-	-
Total Liabilities	\$4,311	\$2,658
Shareholders' Equity:		
Series A Preferred shares — 10,000,000 shares authorized; 3,677 shares		
issued and outstanding at June 30, 2016 and March 31, 2016 respectively; liquidation preference of \$3,677,000 at June 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 June 30, 2016 and March 31, 2016, respectively; 27,129,832		
shares outstanding at June 30, 2016 and March 31, 2016, respectively	529	529
Additional paid-in capital	79,792	79,792

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Accumulated deficit	(2,231 )	(2,177 )
Treasury stock, at cost (25,835,965 shares)	(24,224)	(24,224)
Total Shareholders' Equity	57,176	57,230
Total Liabilities and Shareholders' Equity	\$61,487	\$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)

	Three Months Ended	
	June 30, 2016	2015
<b>Cash Flows from Operating Activities:</b>		
Net (loss) income	\$(54 )	\$121
<b>Adjustments to reconcile net income to net cash used by operating activities:</b>		
Depreciation and amortization	5	17
<b>Changes in assets and liabilities:</b>		
Trade accounts receivable	1,388	(5,057 )
Royalty receivable	1,067	2,089
Due from affiliates	(512 )	-
Inventory	(1,777 )	(1 )
Prepaid purchases	(72 )	1,959
Prepaid expenses and other current assets	(49 )	230
Deferred tax assets and liabilities	18	(17 )
Other assets	1	(24 )
Accounts payable and other current liabilities	289	(141 )
Long term liabilities	—	44
Asset allowances, reserves and other	(46 )	(9 )
Deferred revenue	1,875	-
Income taxes payable	1	71
Net cash provided (used) by operating activities	2,134	(718 )
<b>Cash Flows from Investing Activities:</b>		
Short term investment	10,001	(15,097)
Restricted cash	500	-
Additions to property, plant and equipment	(3 )	-
Net cash provided (used) by investing activities	10,498	(15,097)
<b>Cash Flows from Financing Activities:</b>		
Net cash (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	12,632	(15,815)
Cash and cash equivalents at beginning of period	30,096	43,485
Cash and cash equivalents at end of period	\$42,728	\$27,670
<b>Cash paid during the period for:</b>		
Interest	\$2	\$-
Income taxes	\$4	\$-



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

EMERSON RADIO CORP. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — BACKGROUND AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Emerson Radio Corp. (“Emerson”, consolidated — the “Company”), and its subsidiaries. The Company designs, sources, imports and markets certain houseware and consumer electronic products, and licenses the Company’s trademarks for a variety of products domestically and internationally.

The unaudited interim consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the Company’s consolidated financial position as of June 30, 2016 and the results of operations for the three month periods ended June 30, 2016 and June 30, 2015. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. The preparation of the unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes; actual results could materially differ from those estimates. The unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and accordingly do not include all of the disclosures normally made in the Company’s annual consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended March 31, 2016 (“fiscal 2016”), included in the Company’s annual report on Form 10-K, as amended, for fiscal 2016.

The results of operations for the three month period ended June 30, 2016 are not necessarily indicative of the results of operations that may be expected for any other interim periods or for the full year ended March 31, 2017 (“fiscal 2017”).

Whenever necessary, reclassifications are made to conform the prior year’s financial statements to the current year’s presentation.

Unless otherwise disclosed in the notes to these financial statements, the estimated fair value of the financial assets and liabilities approximates the carrying value.

Sales Allowance and Marketing Support Expenses

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, “Revenue Recognition”, subtopic 50 “Customer Payments and Incentives” and Securities and Exchange Commission Staff Accounting Bulletins 101 “Revenue Recognition in Financial Statements,” and 104 “Revenue Recognition, corrected copy” (“SAB’s 101 and 104”).

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, “Revenue Recognition”, subtopic 15 “Products”, (i) sales incentives offered to

customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

NOTE 2 — NET EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three months ended	
	June 30,	
	2016	2015
Numerator:		
Net (loss) income	\$(54)	\$121
Denominator:		