

FRANKLIN ELECTRONIC PUBLISHERS INC
Form 10-Q
November 14, 2005
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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 quarterly period ended: **September 30, 2005**

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. **0-14841**

FRANKLIN ELECTRONIC PUBLISHERS, INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania

22-2476703

(State or other Jurisdiction of
Incorporation or Organization)

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

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One Franklin Plaza, Burlington, New Jersey

08016-4907

(Address of Principal Executive Office)

(Zip Code)

(609) 386-2500

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether 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 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 Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

COMMON STOCK OUTSTANDING AS OF NOVEMBER 7, 2005: **8,199,458**

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FRANKLIN ELECTRONIC PUBLISHERS, INCORPORATED

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

FRANKLIN ELECTRONIC PUBLISHERS, INCORPORATED**AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

(unaudited)

	September 30, 2005	March 31, 2005
	<u> </u>	<u> </u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,800	\$ 2,786
Accounts receivable, less allowance for doubtful accounts of \$472 and \$456	10,490	5,837
Inventories	11,419	8,780
Prepays and other assets	1,630	2,749
	<u> </u>	<u> </u>
TOTAL CURRENT ASSETS	26,339	20,152
	<u> </u>	<u> </u>
PROPERTY AND EQUIPMENT	6,418	6,523
	<u> </u>	<u> </u>
OTHER ASSETS:		
Deferred income tax asset	5,700	5,700
Trademark and goodwill	2,265	2,265
Software development costs	3,380	2,850
Other assets	3,128	3,458
	<u> </u>	<u> </u>
TOTAL OTHER ASSETS	14,473	14,273
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 47,230	\$ 40,948
	<u> </u>	<u> </u>
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 12,435	\$ 10,843
Current portion of long-term liabilities - Other	130	72
	<u> </u>	<u> </u>
TOTAL CURRENT LIABILITIES	12,565	10,915

LONG-TERM LIABILITIES:

Revolving credit facility	3,000	-
Other liabilities	1,084	1,179
TOTAL LONG-TERM LIABILITIES	4,084	1,179

SHAREHOLDERS EQUITY:

Preferred stock, \$2.50 par value, authorized 10,000,000 shares, issued and outstanding 2,434 (\$2,434 aggregate liquidation value)	2,412	2,412
Common stock, \$0.01 par value, authorized 50,000,000 shares, issued and outstanding, 8,199,458 and 8,125,222 shares	82	81
Additional paid in capital	50,589	50,406
Retained earnings (deficit)	(21,599)	(23,194)
Foreign currency translation adjustment	(903)	(851)
TOTAL SHAREHOLDERS EQUITY	30,581	28,854
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 47,230	\$ 40,948

See notes to consolidated financial statements.

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FRANKLIN ELECTRONIC PUBLISHERS, INCORPORATED

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except for per share data)

(unaudited)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
SALES	\$ 13,848	\$ 16,246	\$ 32,267	\$ 32,236
COST OF SALES	7,154	8,463	16,231	16,526
GROSS MARGIN	6,694	7,783	16,036	15,710
EXPENSES:				
Sales and marketing	4,127	3,873	8,650	8,145
Research and development	861	873	2,005	1,755
General and administrative	1,595	1,769	3,601	3,704
Total operating expenses	6,583	6,515	14,256	13,604
OPERATING INCOME	111	1,268	1,780	2,106
Interest expense, net	(77)	(99)	(88)	(166)
Other, net	83	(145)	102	(110)
INCOME BEFORE INCOME TAXES	117	1,024	1,794	1,830
INCOME TAX PROVISION	42	79	77	106
NET INCOME	75	945	1,717	1,724
PREFERRED STOCK DIVIDEND	-	-	122	229
INCOME APPLICABLE TO COMMON SHAREHOLDERS	\$ 75	\$ 945	\$ 1,595	\$ 1,495
INCOME PER COMMON SHARE:				
Basic	\$ 0.01	\$ 0.12	\$ 0.20	\$ 0.19
Diluted	\$ 0.01	\$ 0.11	\$ 0.19	\$ 0.18
WEIGHTED AVERAGE COMMON SHARES:				
Basic	8,152	8,036	8,139	8,019

Diluted	8,661	8,494	8,559	8,472
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See notes to consolidated financial statements.

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FRANKLIN ELECTRONIC PUBLISHERS, INCORPORATED
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(in thousands, except for share data)

(unaudited)

	Common Stock			Preferred Stock		Retained Earnings	Accumulated Other Comprehensive Income *	Total Shareholders Equity
	Shares	Amount	Additional Paid in Capital	Shares	Amount			
BALANCE MARCH 31, 2005	8,125,222	\$ 81	\$ 50,406	2,434	\$ 2,412	\$ (23,194)	\$ (851)	\$ 28,854
Amortization of deferred compensation expense for shares issued for services			4					4
Issuance of common shares under employee stock option plan	74,236	1	179					180
Preferred stock dividend						(122)		(122)
Income for the period						1,717		1,717
Foreign currency translation adjustment							(52)	(52)
BALANCE SEPTEMBER 30, 2005 (unaudited)	8,199,458	\$ 82	\$ 50,589	2,434	\$ 2,412	\$ (21,599)	\$ (903)	\$ 30,581

* Comprehensive income, i.e., net income, plus, or less, the change in foreign currency balance sheet translation adjustments, totaled \$1,665 for the six months ended September 30, 2005.

See notes to consolidated financial statements.

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FRANKLIN ELECTRONIC PUBLISHERS, INCORPORATED

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended September 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 1,717	\$ 1,724
ADJUSTMENTS TO RECONCILE NET INCOME TO		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		