

WIRELESS TELECOM GROUP INC

Form 10-Q

May 15, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 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 number

1-11916

WIRELESS TELECOM GROUP, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| New Jersey (State or Other Jurisdiction of Incorporation or Organization) | 22-2582295 (I.R.S. Employer Identification No.) |
| 25 Eastmans Road Parsippany, New Jersey (Address of Principal Executive Offices) | 07054 (Zip Code) |

(973) 386-9696

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 S 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 S 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 £ Smaller reporting company S

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes £ No S

Number of shares of Common Stock outstanding as of May 9, 2014: 19,211,456

WIRELESS TELECOM GROUP, INC.

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PART 1 – FINANCIAL INFORMATION

Item 1 – Financial Statements

WIRELESS TELECOM GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

- ASSETS -

| | March 31, 2014 | December 31, 2013 |
|---|---------------------|-------------------------|
| | (unaudited) | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 16,560,689 | \$ 16,599,249 |
| Accounts receivable - net of allowance for doubtful accounts of \$146,574 and \$135,742 for 2014 and 2013, respectively | 6,521,660 | 5,357,769 |
| Inventories | 8,048,056 | 8,169,276 |
| Deferred income taxes - current | 1,352,621 | 1,462,552 |
| Prepaid expenses and other current assets | 593,412 | 720,229 |
| TOTAL CURRENT ASSETS | 33,076,438 | 32,309,075 |
| PROPERTY, PLANT AND EQUIPMENT - NET | 1,617,011 | 1,609,427 |
| OTHER ASSETS: | | |
| Goodwill | 1,351,392 | 1,351,392 |
| Deferred income taxes - non-current | 7,320,241 | 7,454,935 |
| Other assets | 764,461 | 712,202 |
| TOTAL OTHER ASSETS | 9,436,094 | 9,518,529 |
| TOTAL ASSETS | \$44,129,543 | \$43,437,031 |
| | | |
| - LIABILITIES AND SHAREHOLDERS' EQUITY - | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 1,580,445 | \$ 1,459,594 |
| Accrued expenses and other current liabilities | 1,627,758 | 1,523,931 |
| Equipment lease payable - current | 120,103 | 120,103 |
| TOTAL CURRENT LIABILITIES | 3,328,306 | 3,103,628 |
| | | |
| LONG TERM LIABILITIES: | | |
| Equipment lease payable | 29,270 | 59,296 |
| | | |
| COMMITMENTS AND CONTINGENCIES SHAREHOLDERS' EQUITY: | | |
| Preferred stock, \$.01 par value, 2,000,000 shares authorized, none issued | — | — |
| Common stock, \$.01 par value, 75,000,000 shares authorized, 29,232,557 shares issued, 24,033,231 shares outstanding | 292,326 | 292,326 |
| Additional paid-in-capital | 39,028,667 | 38,970,783 |
| Retained earnings | 11,139,996 | 10,700,020 |
| Treasury stock at cost, 5,199,326 shares | (9,689,022) | (9,689,022) |

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| | | |
|--|--------------|--------------|
| TOTAL SHAREHOLDERS' EQUITY | 40,771,967 | 40,274,107 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$44,129,543 | \$43,437,031 |

See accompanying notes

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WIRELESS TELECOM GROUP, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

| | For the Three Months Ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| NET SALES | \$9,185,331 | \$6,796,989 |
| COST OF SALES | 4,919,431 | 3,476,626 |
| GROSS PROFIT | 4,265,900 | 3,320,363 |
| OPERATING EXPENSES | | |
| Research and development | 760,992 | 612,123 |
| Sales and marketing | 1,267,215 | 1,022,160 |
| General and administrative | 1,435,646 | 1,441,673 |
| TOTAL OPERATING EXPENSES | 3,463,853 | 3,075,956 |
| OPERATING INCOME | 802,047 | 244,407 |
| OTHER EXPENSE (INCOME) - NET | 30,339 | (14,707) |
| NET INCOME BEFORE INCOME TAXES | 771,708 | 259,114 |
| PROVISION FOR (BENEFIT) FROM INCOME TAXES | 331,732 | (87,112) |
| NET INCOME | \$439,976 | \$346,226 |
| INCOME PER COMMON SHARE: | | |
| BASIC | \$0.02 | \$0.01 |
| DILUTED | \$0.02 | \$0.01 |

See accompanying notes

WIRELESS TELECOM GROUP, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

| | For the Three Months Ended March 31, | |
|--|---|----------------------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$439,976 | \$346,226 |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 118,631 | 80,946 |
| Stock compensation expense | 57,884 | 90,900 |
| Deferred income taxes | 244,625 | (170,386) |
| Allowance for doubtful accounts | 10,832 | 46,926 |
| Inventory reserves | 14,238 | 34,338 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,174,723) | 814,969 |
| Inventories | 106,982 | (806,922) |
| Prepaid expenses and other assets | 48,805 | 83,041 |
| Accounts payable, accrued expenses and other current liabilities | 224,678 | (978,281) |
| Net cash provided by (used for) operating activities | 91,928 | (458,243) |
| CASH FLOWS (USED FOR) INVESTING ACTIVITIES | | |
| Capital expenditures | (100,462) | (59,119) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of mortgage note | — | (19,309) |
| Repayments of equipment lease payable | (30,026) | — |
| Repurchase of treasury stock - 150,392 shares for the three-months ended March 31, 2013 | — | (193,070) |
| Net cash (used for) financing activities | (30,026) | (212,379) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (38,560) | (729,741) |
| Cash and cash equivalents, at beginning of period | 16,599,249 | 12,969,513 |
| CASH AND CASH EQUIVALENTS, AT END OF PERIOD | \$ 16,560,689 | \$ 12,239,772 |
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid during the period for: | | |
| Taxes | \$ 10,000 | \$ 30,236 |
| Interest | \$— | \$ 49,575 |

See accompanying notes

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WIRELESS TELECOM GROUP, INC.**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY****(unaudited)**

| | Common Stock | Additional Paid In Capital | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
|-------------------------------|-----------------|----------------------------------|----------------------|-------------------|----------------------------------|
| Balances at December 31, 2013 | \$292,326 | \$38,970,783 | \$10,700,020 | \$(9,689,022) | \$40,274,107 |
| Net income | — | — | 439,976 | — | 439,976 |
| Stock compensation expense | — | 57,884 | — | — | 57,884 |
| Repurchase of treasury stock | — | — | — | — | — |
| Balances at March 31, 2014 | \$292,326 | \$39,028,667 | \$11,139,996 | \$(9,689,022) | \$40,771,967 |

See accompanying notes

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

The condensed consolidated balance sheets as of March 31, 2014, the condensed consolidated statements of operations and the condensed consolidated statements of cash flows for the three-month periods ended March 31, 2014 and 2013, and the condensed consolidated statement of shareholders' equity for the three-month period ended March 31, 2014 have been prepared by the Company without audit. The condensed consolidated financial statements include the accounts of Wireless Telecom Group, Inc., which operates one of its product lines under the trade name Noisecom, Inc. ("Noisecom"), and its wholly-owned subsidiaries Boonton Electronics Corporation ("Boonton"), Microlab/FXR ("Microlab"), WTG Foreign Sales Corporation and NC Mahwah, Inc., which are collectively referred to herein as, the "Company". All intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying condensed consolidated financial statements referred to above contain all necessary adjustments, consisting of normal accruals and recurring entries, which are necessary to present fairly the Company's results for the interim periods being presented.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements included in its annual report on Form 10-K for the year ended December 31, 2013. Specific reference is made to that report since certain information and footnote disclosures normally included in financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted from this report.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including inventory valuation, accounts receivable valuation, valuation of deferred tax assets and estimated fair values of stock options) and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of net sales and expenses during the reporting period. Actual results could differ from those estimates.

The results of operations for the three-month periods ended March 31, 2014 and 2013 are not necessarily indicative of the results to be expected for the full year.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable.

The Company maintains significant cash investments primarily with two financial institutions, which at times may exceed federally insured limits. The Company performs periodic evaluations of the relative credit rating of these institutions as part of its investment strategy.

Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large customer base. At March 31, 2014 and December 31, 2013, primarily all of the Company's receivables pertain to the telecommunications industry.

For the three-months ended March 31, 2014, one customer accounted for 15% and one customer accounted for 10% of the Company's total consolidated sales. No single customer accounted for more than 10% of the Company's consolidated sales for the three-months ended March 31, 2013. At March 31, 2014, one customer represented 15% of the Company's gross accounts receivable balance and no other customer represented more than 10%. At December 31, 2013, no customer represented more than 10% of the Company's gross accounts receivable balance.

The carrying amounts of cash and cash equivalents, trade receivables, other current assets and accounts payable approximate fair value due to the short-term nature of these instruments.

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of bank and money market accounts.

WIRELESS TELECOM GROUP, INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Management has evaluated subsequent events and, other than as described in Note 10, determined that there were no subsequent events or transactions requiring recognition or disclosure in the condensed consolidated financial statements through the date the financial statements were available to be issued.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the