

ELECTRO SENSORS INC
Form 10-Q
November 13, 2018
Sta

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

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

For the quarterly period ended September 30, 2018

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 000-09587

ELECTRO-SENSORS, INC.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of incorporation or organization)

41-0943459
(IRS Employer Identification No.)

6111 Blue Circle Drive
Minnetonka, Minnesota 55343-9108

(Address of principal executive offices)

(952) 930-0100

(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 of 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

Edgar Filing: ELECTRO SENSORS INC - Form 10-Q

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," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's common stock, \$0.10 par value, on November 12, 2018 was 3,395,521.

ELECTRO-SENSORS, INC.

Form 10-Q

For the Periods Ended September 30, 2018

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

	4
<u>Item 1. Financial Statements (unaudited):</u>	4
<u>Balance Sheets – As of September 30, 2018 and December 31, 2017</u>	4
<u>Statements of Comprehensive Income (Loss) – For the Three and Nine Months ended September 30, 2018 and September 30, 2017</u>	5
<u>Statements of Cash Flows – For the Nine Months ended September 30, 2018 and September 30, 2017</u>	6
<u>Notes to Financial Statements</u>	7

<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
--	----

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	16
---	----

<u>Item 4. Controls and Procedures</u>	16
--	----

PART II – OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	16
----------------------------------	----

<u>Item 1A. Risk Factors</u>	16
------------------------------	----

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	16
--	----

<u>Item 3. Defaults Upon Senior Securities</u>	16
--	----

<u>Item 4. Mine Safety Disclosures</u>	16
--	----

<u>Item 5. Other Information</u>	16
----------------------------------	----

<u>Item 6. Exhibits</u>	16
-------------------------	----

<u>SIGNATURES</u>	17
--------------------------	----

PART I. FINANCIAL INFORMATIONItem 1. Financial Statements

ELECTRO-SENSORS, INC.

BALANCE SHEETS

(in thousands except share and per share amounts)

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 853	\$ 963
Investments	7,749	7,756
Trade receivables, less allowance for doubtful accounts of \$11	1,044	902
Inventories	1,604	1,552
Other current assets	171	141
Income tax receivable	17	45
Total current assets	11,438	11,359
Deferred income tax asset, net	178	182
Intangible assets, net	624	800
Property and equipment, net	1,041	1,074
Total assets	\$ 13,281	\$ 13,415
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Contingent earn-out	\$ 0	\$ 150
Accounts payable	193	178
Accrued expenses	425	380
Total current liabilities	618	708
Commitments and contingencies		
Stockholders' equity		
Common stock par value \$0.10 per share; authorized 10,000,000 shares; 3,395,521 shares issued and outstanding	339	339
Additional paid-in capital	2,011	2,004
Retained earnings	10,287	10,352

Edgar Filing: ELECTRO SENSORS INC - Form 10-Q

Accumulated other comprehensive gain (unrealized gain on available-for-sale securities, net of income tax)	26	12
Total stockholders' equity	12,663	12,707
Total liabilities and stockholders' equity	\$ 13,281	\$ 13,415
See accompanying notes to unaudited financial statements		

4

ELECTRO-SENSORS, INC.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands except share and per share amounts)

(unaudited)

	Three Months Ended September 30, 2018		2017		Nine Months Ended September 30, 2018		2017	
Net sales	\$	2,146	\$	2,078	\$	5,642	\$	6,075
Cost of goods sold		951		944		2,559		2,718
Gross profit		1,195		1,134		3,083		3,357
Operating expenses								
Selling and marketing		406		342		1,242		1,127
General and administrative		414		402		1,370		1,225