

SIGMATRON INTERNATIONAL INC

Form 10-Q

September 11, 2014

UNITED STATES

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 July 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 0-23248

SIGMATRON INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-3918470 (I.R.S. Employer Identification No.)
2201 Landmeier Road Elk Grove Village, Illinois (Address of principal executive offices)	60007 (Zip Code)

Registrant's telephone number, including area code: (847) 956-8000

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 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

Table of Contents

SigmaTron International, Inc.

July 31, 2014

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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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 by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of the registrant’s common stock, \$0.01 par value, as of September 8, 2014:
4,045,267

Table of Contents

SigmaTron International, Inc.

Index

PART 1. FINANCIAL INFORMATION:	Page No.
Item	
1 <u>Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheets – July 31, 2014 (Unaudited)</u> <u>and April 30, 2014</u>	4
<u>Consolidated Statements of Operations – (Unaudited)</u> <u>Three Months Ended July 31, 2014 and 2013</u>	6
<u>Consolidated Statements of Cash Flows – (Unaudited)</u> <u>Three Months Ended July 31, 2014 and 2013</u>	7
<u>Notes to Consolidated Financial Statements</u>	9
Item	
2 <u>Management’s Discussion and Analysis of Financial Condition and</u> <u>Results of Operations</u>	18
Item	
3 <u>Quantitative and Qualitative Disclosures About Market Risks</u>	26
Item	
4 <u>Controls and Procedures</u>	26
 PART II OTHER INFORMATION:	
Item	
1 <u>Legal Proceedings</u>	26
Item	
1 <u>Risk Factors</u>	26
Item	
2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
Item	
3 <u>Defaults Upon Senior Securities</u>	27
Item	
4 <u>Mine Safety Disclosures</u>	27
Item	
5 <u>Other Information</u>	27
Item	
6 <u>Exhibits</u>	27
<u>Signatures</u>	29

Table of Contents

SigmaTron International, Inc.

Consolidated Balance Sheets

	July 31, 2014 (Unaudited)	April 30, 2014
Current assets:		
Cash	\$ 2,454,303	\$ 5,440,319
Accounts receivable, less allowance for doubtful accounts of \$150,000 at July 31, 2014 and April 30, 2014	19,793,046	19,293,791
Inventories, net	57,545,337	53,728,377
Prepaid expenses and other assets	1,896,509	1,826,254
Refundable income taxes	385,115	-
Deferred income taxes	2,539,214	2,524,993
Other receivables	452,936	356,746
Total current assets	85,066,460	83,170,480
Property, machinery and equipment, net	33,629,990	32,692,908
Intangible assets, net of amortization of \$3,410,760 and \$3,309,246 at July 31, 2014 and April 30, 2014	5,501,240	5,602,754
Goodwill	3,222,899	3,222,899
Other assets	1,003,384	790,390
Total other long-term assets	9,727,523	9,616,043
Total assets	\$ 128,423,973	\$ 125,479,431
Liabilities and stockholders' equity:		
Current liabilities:		
Trade accounts payable	\$ 30,975,751	\$ 27,141,079
Accrued wages	3,261,062	4,027,029
Accrued expenses	2,708,577	2,526,045
Income taxes payable	-	80,936
Current portion of long-term debt	2,101,018	2,126,017

Edgar Filing: SIGMATRON INTERNATIONAL INC - Form 10-Q

Current portion of capital lease obligations	791,738	765,961
Current portion of contingent consideration	275,288	331,429
Total current liabilities	40,113,434	36,998,496
Long-term debt, less current portion	24,107,204	24,198,500
Capital lease obligations, less current portion	2,314,888	2,423,001
Contingent consideration, less current portion	1,418,697	1,533,571
Other long-term liabilities	552,046	525,739
Deferred rent	1,191,274	1,176,121
Deferred income taxes	3,217,660	3,217,660
Total long-term liabilities	32,801,769	33,074,592

4

Table of Contents

Total liabilities	72,915,203	70,073,088
Commitments and contingencies:		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized, none issued or outstanding	-	-
Common stock, \$.01 par value; 12,000,000 shares authorized, 4,040,807 and 4,012,319 shares issued and outstanding at July 31, 2014 and April 30, 2014	40,441	40,215
Capital in excess of par value	20,949,888	20,864,497
Retained earnings	34,518,441	34,501,631
Total stockholders' equity	55,508,770	55,406,343
Total liabilities and stockholders' equity	\$ 128,423,973	\$ 125,479,431

The accompanying notes to financial statements are an integral part of these statements.

Table of Contents

SigmaTron International, Inc.

Consolidated Statements of Operations

	Three Months Ended July 31, 2014 (Unaudited)	Three Months Ended July 31, 2013 (Unaudited)
Net sales	\$ 54,947,477	\$ 56,166,061
Cost of products sold	50,201,029	49,877,653
Gross profit	4,746,448	6,288,408
Selling and administrative expenses	4,514,211	4,855,558
Operating income	232,237	1,432,850
Other income	(39,876)	(21,449)
Interest expense	256,547	213,960
Income from operations before income tax (benefit) expense	15,566	1,240,339
Income tax (benefit) expense	(1,244)	272,875
Net income	\$ 16,810	\$ 967,464
Earnings per share - basic	\$ 0.00	\$ 0.24
Earnings per share - diluted	\$ 0.00	\$ 0.24
Weighted average shares of common stock outstanding Basic	4,028,535	3,961,232
Weighted average shares of common stock outstanding Diluted	4,105,627	4,011,001

The accompanying notes to financial statements are an integral part of these statements.

6

Table of Contents

SigmaTron International, Inc.

Consolidated Statements of Cash Flows

	Three Months Ended July 31, 2014 (Unaudited)	Three Months Ended July 31, 2013 (Unaudited)
Cash flows from operating activities		
Net income	\$ 16,810	\$ 967,464
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,210,235	1,172,137
Stock-based compensation	28,038	29,292
Restricted stock expense	1,746	5,236
Employee stock purchases	49,712	-
Deferred income tax benefit	(14,221)	(45,011)
Amortization of intangibles	101,514	87,246
Loss from disposal or sale of machinery and equipment	-	1,675
Changes in assets and liabilities		
Accounts receivable	(499,255)	(99,385)
Inventories	(3,816,960)	(1,797,940)
Prepaid expenses and other assets	(379,438)	474,201
Income taxes payable/refundable	(466,051)	228,026
Trade accounts payable	3,834,672	1,365,181
Deferred rent	15,153	21,091
Accrued expenses and wages	(728,143)	(33,872)
Net cash (used in) provided by operating activities	(646,188)	2,375,341

Edgar Filing: SIGMATRON INTERNATIONAL INC - Form 10-Q

Cash flows from investing activities		
Purchases of machinery and equipment	(2,038,346)	(4,900,370)
Net cash used in investing activities	(2,038,346)	(4,900,370)
Cash flows from financing activities		
Proceeds from the exercise of common stock options	6,120	-
Payments under capital lease and sale leaseback agreements	(191,307)	(56,440)
Payments under building notes payable	(37,749)	(24,999)
Net changes under lines of credit	(78,546)	763,208
Change in bank overdraft	-	33,066
Net cash (used in) provided by financing activities	(301,482)	714,835
Change in cash	(2,986,016)	(1,810,194)
Cash at beginning of period	5,440,319	4,607,731

7

Table of Contents

Cash at end of period	\$ 2,454,303	\$ 2,797,537
Supplementary disclosures of cash flow information		
Cash paid for interest	\$ 241,511	\$ 195,973
Cash paid for income taxes	104,110	4,200
Cash refunded for income taxes	-	(159,999)
Purchase of machinery and equipment financed under a capital lease	108,971	-

The accompanying notes to financial statements are an integral part of these statements.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note A - Basis of Presentation

The accompanying unaudited consolidated financial statements of SigmaTron International, Inc. (“SigmaTron”), SigmaTron’s wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd. and wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd. (“SigmaTron China”) and international procurement office SigmaTron Taiwan branch (collectively, the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

Accordingly, the consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three month period ended July 31, 2014 are not necessarily indicative of the results that may be expected for the year ending April 30, 2015. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended April 30, 2014.

Note B - Inventories, net

The components of inventory consist of the following:

	July 31, 2014	April 30, 2014
Finished products	\$ 22,577,250	\$ 18,553,112
Work-in-process	3,135,634	3,126,596
Raw materials	33,588,822	33,853,653
	59,301,706	55,533,361
Less obsolescence reserve	1,756,369	1,804,984
	\$ 57,545,337	\$ 53,728,377

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note C - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended July 31,	
	2014	2013
Net income	\$ 16,810	\$ 967,464
Weighted-average shares		
Basic	4,028,535	3,961,232
Effect of dilutive stock options	77,092	49,769
Diluted	4,105,627	4,011,001
Basic earnings per share	\$ 0.00	\$ 0.24
Diluted earnings per share	\$ 0.00	\$ 0.24

Options to purchase 97,854 and 540,192 shares of common stock were outstanding at July 31, 2014 and 2013, respectively. There were no options granted during the quarter ended July 31, 2014. During the quarter ended July 31, 2013 there were 25,000 options granted. The Company recognized \$18,372 and \$29,300 in stock option expense for the three month period ended July 31, 2014 and 2013, respectively. The balance of unrecognized compensation expense related to the Company's stock option plans was approximately \$35,235 and \$115,725 at July 31, 2014 and 2013, respectively.

The Company issued 25,000 shares of restricted stock on June 1, 2012, of which 8,330 vested in June 2012, 8,330 vested in June 2013 and 8,340 in June 2014. The Company recognized approximately \$1,746 and \$5,250 in compensation expense for the three months period ended July 31, 2014 and 2013, respectively. There was no issuance of restricted stock during the quarters ended July 31, 2014 and 2013. The balance of unrecognized compensation expense related to the Company's restricted stock award was approximately \$0 and \$11,830 and at July 31, 2014 and 2013 respectively.

On October 1, 2013, the Company granted 1,500 shares to each non-employee director pursuant to the 2013 Non-Employee Director Restricted Stock Plan. A total of 7,500 restricted shares were granted and the shares vested six months from the date of grant. The Company recognized approximately \$39,700 in compensation expense in fiscal year 2014. There was no unrecognized compensation expense related to the 7,500 shares of restricted stock at July 31, 2014.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note C - Earnings Per Share - Continued

The Company implemented an employee stock purchase plan (“ESPP”) for all eligible employees on February 1, 2014. The ESPP reserved 500,000 shares of common stock for issuance to our employees and the number of shares of common stock reserved for issuance under the plan automatically increases on the first day of the Company’s fiscal years by 25,000 shares. In the quarter ended July 31, 2014, 3,790 shares were issued under the ESPP and the Company recorded \$9,666 in compensation expense. During the quarter ended July 31, 2014, the Company recorded \$49,712 within stockholders equity relating to purchases under the ESPP.

The Company offered to purchase 395,190 Eligible Options (as defined below) from Eligible Holders (as defined below) upon the terms stated in Schedule TO (“TO”) filed with the SEC on October 1, 2013. The stock options subject to the TO were those options to purchase SGMA common stock which had not expired or terminated prior to the Expiration Time (as defined below) having the grant dates and exercise prices set forth in the TO (the “Eligible Options”). Eligible Options, all of which were fully vested, were granted under the following Company stock option plans: 1993 Stock Option Plan, 2004 Employee Stock Option Plan, 2000 Directors’ Stock Option Plan and 2004 Directors’ Stock Option Plan.

“Eligible Holders” were: (a) those current or former employees, including all officers, who hold Eligible Options as of the Expiration Time; and (b) all current or former directors of the Company who hold Eligible Options as of the Expiration Time. “Expiration Time” means 11:59 p.m., Eastern Time, on October 29, 2013.

The Company offered to pay a cash amount ranging from \$0.18 to \$1.35 per Eligible Option, totaling up to \$301,500, as specifically set forth in the TO. Each Eligible Holder who participated in the TO received cash payment (subject to tax and other withholding for employees) for each properly tendered Eligible Option promptly following the Expiration Time.

The Company made this offer subject to the terms and conditions stated in the TO and 394,200 Eligible Options were tendered and purchased for a total cash payment of \$300,410.

Note D - Long-term Debt

The Company has a senior secured credit facility with Wells Fargo with a credit limit up to \$30,000,000 and an initial term through September 30, 2013. The facility allows the Company to choose among interest rates at which it may borrow funds. The credit facility is collateralized by substantially all of the domestically located assets of the Company and the Company has pledged 65% of its equity ownership interest in some of its foreign entities. The Company is required to be in compliance with several financial covenants.

In May 2012 two of the financial covenants under the senior secured credit facility were amended. During the quarter ended October 31, 2013, the Company renewed its senior secured credit facility. The facility was revised to extend the term of the agreement to October 31, 2015.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note D - Long-term Debt - Continued

As of July 31, 2014, there was a \$22,921,454 outstanding balance and \$7,078,546 of unused availability under the credit facility agreement, assuming the company remained in compliance with its financial covenants. The facility allows the Company to choose among interest rates at which it may borrow funds. The interest rate is prime rate (3.25% at July 31, 2014) or LIBOR plus two and a one half percent (2.75% at July 31, 2014), which is paid monthly. At July 31, 2014, the Company was in compliance with its amended financial covenants.

In August 2014 the Company and Wells Fargo, N.A. agreed on a proposal to extend the existing senior secured credit facility for three years from the date of closing. Under the proposal financial covenants will be amended, an unused line fee will be added and the net borrowing interest rate will be reduced. The Company expects the transaction will close by October 31, 2014.

The Company entered into a mortgage agreement on January 8, 2010, in the amount of \$2,500,000, with Wells Fargo to refinance the property that serves as the Company's corporate headquarters and its Illinois manufacturing facility. The Wells Fargo note bears interest at a fixed rate of 6.42% per year and is amortized over a sixty month period. A final payment of approximately \$2,000,000 is due on or before January 8, 2015. The outstanding balance as of July 31, 2014 was \$2,050,018.

The Company entered into a mortgage agreement on October 24, 2013, in the amount of \$1,275,000, with Wells Fargo to finance the property that serves as the Company's engineering and design center in Elgin, Illinois. The Wells Fargo note requires the Company to pay monthly principal payments in the amount of \$4,250 and bears interest at a fixed rate of 4.5% per year and is payable over a sixty month period. A final payment of approximately \$1,030,000 is due on or before October 2018. The outstanding balance as of July 31, 2014 was \$1,236,750.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note E - Goodwill and Other Intangible Assets

Goodwill

The change in carrying amount of goodwill for the three months ended July 31, 2014, are as follows:

	Total
Balance at April 30, 2014	\$ 3,222,899
Changes in carrying amount	-
Balance at July 31, 2014	\$ 3,222,899

Other Intangible Assets

Intangible assets subject to amortization are summarized as of July 31, 2014 as follows:

Weighted Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization
---	-----------------------------	-----------------------------

Edgar Filing: SIGMATRON INTERNATIONAL INC - Form 10-Q

Other intangible assets – Able	-	\$ 375,000	\$ 375,000
Customer relationships – Able	-	2,395,000	2,395,000
Spitfire:			
Non-contractual customer relationships	12.8	4,690,000	323,790
Backlog	-	22,000	22,000
Trade names	17.8	980,000	106,158
Non-compete agreements	4.8	50,000	15,470
Patents	2.8	400,000	173,342
Total		\$ 8,912,000	\$ 3,410,760

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note E - Goodwill and Other Intangible Assets - Continued

Intangible assets subject to amortization are summarized as of April 30, 2014, as follows:

	Weighted Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization
Other intangible assets – Able	-	\$ 375,000	\$ 375,000
Customer relationships – Able	-	2,395,000	2,395,000
Spitfire:			
Non-contractual customer relationships	13.1	4,690,000	256,311
Backlog	-	22,000	22,000
Trade names	18.1	980,000	93,909
Non-compete agreements	5.1	50,000	13,685
Patents	3.1	400,000	153,341
Total		\$ 8,912,000	\$ 3,309,246

Estimated aggregate amortization expense for intangible assets, which become fully amortized in 2032, for the remaining periods is as follows:

Edgar Filing: SIGMATRON INTERNATIONAL INC - Form 10-Q

For the remaining 9 months of the fiscal year ending April 30:	2015	\$ 327,096
For the fiscal year ending April 30:	2016	470,899
	2017	490,010
	2018	435,043
	2019	423,721
	2020	411,406
	Thereafter	2,943,065
		\$ 5,501,240

Amortization expense was \$101,514 and \$87,246 for the quarters ended July 31, 2014 and 2013, respectively.

14

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note F - Critical Accounting Policies

Management Estimates and Uncertainties - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for doubtful accounts, reserves for inventory and valuation of long-lived assets. Actual results could materially differ from these estimates.

Revenue Recognition - Revenues from sales of the Company's electronic manufacturing services business are recognized when the finished good product is shipped to the customer. In general, and except for consignment inventory, it is the Company's policy to recognize revenue and related costs when the finished goods have been shipped from its facilities, which is also the same point that title passes under the terms of the purchase order. Finished goods inventory for certain customers is shipped from the Company to an independent warehouse for storage or shipped directly to the customer and stored in a segregated part of the customer's own facility. Upon the customer's request for finished goods inventory, the inventory is shipped to the customer if the inventory was stored off-site, or transferred from the segregated part of the customer's facility for consumption or use by the customer. The Company recognizes revenue upon such shipment or transfer. The Company does not earn a fee for such arrangements. The Company from time to time may ship finished goods from its facilities, which is also the same point that title passes under the terms of the purchase order, and invoice the customer at the end of the calendar month. This is done only in special circumstances to accommodate a specific customer. Further, from time to time customers request the Company hold finished goods after they have been invoiced to consolidate finished goods for shipping purposes. The Company generally provides a 90 day warranty for workmanship only, except for products with proprietary design and does not have any installation, acceptance or sales incentives (although the Company has negotiated longer warranty terms in certain instances). The Company assembles and tests assemblies based on customers' specifications. Historically, the amount of returns for workmanship issues has been de minimis under the Company's standard or extended warranties.

Inventories - Inventories are valued at the lower of cost or market. Cost is calculated as average cost. In the event of an inventory write-down, the Company records expense to state the inventory at lower of cost or market. The

Company establishes inventory reserves for valuation, shrinkage, and excess and obsolete inventory. The Company records provisions for inventory shrinkage based on historical experience to account for unmeasured usage or loss. Actual results differing from these estimates could significantly affect the Company's inventories and cost of products sold. The Company records provisions for excess and obsolete inventories for the difference between the cost of inventory and its estimated realizable value based on assumptions about future product demand and market conditions. Actual product demand or market conditions could be different than that projected by management.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note F - Critical Accounting Policies - Continued

Goodwill - Goodwill represents the purchase price in excess of the fair value of assets acquired in business combinations. The Company assesses goodwill for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment. The Company is permitted the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of any reporting unit is less than its corresponding carrying value. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of any reporting unit is less than its corresponding carrying value then the Company is not required to take further action. However, if the Company concludes otherwise, then it is required to perform a quantitative impairment test, including computing the fair value of the reporting unit and comparing that value to its carrying value. If the fair value is less than its carrying value, a second step of the test is required to determine if recorded goodwill is impaired. The Company also has the option to bypass the qualitative assessment for goodwill in any period and proceed directly to performing the quantitative impairment test. The Company will be able to resume performing the qualitative assessment in any subsequent period. The Company performed its annual goodwill impairment test as of February 1, 2014 and determined that no impairment existed as of that date.

Impairment of Long-Lived Assets - The Company reviews long-lived assets, including amortizable intangible assets for impairment. Property, machinery and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If events or changes in circumstances occur that indicate possible impairment, the Company's impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of its assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. The Company conducts annual reviews for idle and underutilized equipment, and reviews business plans for possible impairment. Impairment occurs when the carrying value of the assets exceeds the future undiscounted cash flows expected to be earned by the use of the asset group. When impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset or asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value.

Income Tax - Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred income tax assets to an amount more likely than not to be realized.

A tax benefit from an uncertain tax position may only be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Notes to Consolidated Financial Statements

(Unaudited)

Note F - Critical Accounting Policies - Continued

The Company adjusts its tax liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from its current estimate of the tax liabilities. These differences will be reflected as increase or decreases to income tax expense in the period in which they are determined.

New Accounting Standards:

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)." ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company is currently evaluating the impact of adopting ASU 2014-08 on the Company's results of operations or financial condition.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Accordingly, we will adopt this ASU on May 1, 2017. Companies may use either a full retrospective or modified retrospective approach to adopt this ASU and we are currently evaluating which transition approach to use and the full impact this ASU will have on our future financial statements.

Note G - Subsequent Event

In August 2014 the Company and Wells Fargo Bank, N.A. agreed on a proposal to extend the existing senior secured credit facility for the existing three years from the date of closing. The existing facility expires on October 31, 2015. Under the terms of the proposal, financial covenants will be amended, an unused line fee will be added and net borrowing interest rates will be reduced. The Company expects the transaction will close by October 31, 2014.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc. ("SigmaTron"), its wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd., wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and SigmaTron Electronic Technology Co., Ltd. (collectively, "SigmaTron China") and international procurement office SigmaTron Taiwan branch (collectively, the "Company") and other Items in this Quarterly Report on Form 10-Q contain forward-looking statements concerning the Company's business or results of operations. Words such as "continue," "anticipate," "will," "expect," "believe," "plan," and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company's plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the risks and uncertainties inherent in the Company's business including, but not necessarily limited to, the Company's continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from the Company's customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of our operating results; the results of long-lived assets and goodwill impairment testing; the variability of our customers' requirements; the availability and cost of necessary components and materials; the ability of the Company and our customers to keep current with technological changes within our industries; regulatory compliance, including conflict minerals; the continued availability and sufficiency of our credit arrangements; changes in U.S., Mexican, Chinese, Vietnamese or Taiwanese regulations affecting the Company's business; the turmoil in the global economy and financial markets; the stability of the U.S., Mexican, Chinese, Vietnamese and Taiwanese economic, labor and political systems and conditions; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company's future business and results of operations are identified throughout the Company's Annual Report on Form 10-K, and as risk factors, and may be detailed from time to time in the Company's filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview:

The Company operates in one business segment as an independent provider of electronic manufacturing services, which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; and (6) assistance in obtaining product approval from governmental and other regulatory bodies. The Company provides these

manufacturing services through an international network of facilities located in the United States, Mexico, China, Vietnam and Taiwan.

The Company relies on numerous third-party suppliers for components used in the Company's production process. Certain of these components are available only from single-sources or a limited number of suppliers. In addition, a customer's specifications may require the Company to obtain

18

Table of Contents

SigmaTron International, Inc.

July 31, 2014

components from a single-source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company's results of operations. Further, the Company could operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into long-term purchase agreements with major or single-source suppliers. The Company believes that short-term purchase orders with its suppliers provides flexibility, given that the Company's orders are based on the changing needs of its customers.

Sales can be a misleading indicator of the Company's financial performance. Sales levels can vary considerably among customers and products depending on the type of services (consignment versus turnkey) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales for each given assembly, owing to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company's revenue and gross margin levels. Consignment orders accounted for less than 5% of the Company's revenues for the three months ended July 31, 2014 and 2013.

As the Company has stated previously, customers demand for product can be volatile and the Company experienced an unexpected short term slowdown in shipments during the quarter ended July 31, 2014. Revenue was down from the fourth quarter of fiscal 2014. While there is some seasonality to the Company's overall customer demand, this slowdown was unexpected going into the first quarter of fiscal 2015 and the Company believes it reflects the continuing volatility of customer demand and the short term focus of the economy.

The Company was able to manage to breakeven results for the quarter ended July 31, 2014, in spite of the lower revenue in the quarter and the continuing pricing pressures in the market. And furthermore, the Company is pleased to report that the revenue for the second quarter of fiscal year 2015 has started out stronger than the first quarter of fiscal year 2015. The Company suspects that the slowdown experienced in the first fiscal quarter of 2015 was primarily due to customers managing their inventories short term and are now back on track to their original forecasts.

The Company has recently been awarded new programs with existing customers that is expected to increase its business with them. Also, several programs with new customers will launch during the second quarter of fiscal year 2015 which should help set the stage for future revenue growth, which is important given the pricing pressures the Company faces. Even with continuing margin pressures the Company continues to see positive developments and anticipates improved results in the future. The addition of the Spitfire engineering capability continues to be a

positive for the Company as it attracts new customers in new markets and supports new programs with existing customers. The Company will continue to plan for growth while managing the operations to be flexible to the volatile demand swings, with an eye on long term results.

On May 31, 2012, the Company acquired certain assets and assumed certain liabilities of Spitfire. Spitfire was a privately held Illinois corporation with captive manufacturing sites in Chihuahua, Mexico and suburban Ho Chi Minh City, Vietnam. Both manufacturing sites were among the assets acquired by the Company. Spitfire was an original equipment manufacturer of electronic controls, with a focus on the major appliance (white goods) industry. Although North America is currently its primary market, Spitfire has applications that can be used worldwide. The Company provided

19

Table of Contents

SigmaTron International, Inc.

July 31, 2014

manufacturing solutions for Spitfire since 1994, and was a strategic partner to Spitfire as it developed its original equipment manufacturer electronic controls business.

The Company's Spitfire division provides cost effective designs as control solutions for its customers, primarily in high volume applications of domestic cooking ranges, dishwashers, refrigerators, and portable appliances. It is a member of the Association of Home Appliance Manufacturer as well as other industry related trade associations and is ISO 9001:2008 certified. The acquisition has enabled the Company to offer design services for the first time in specific markets.

Due to the acquisition of Spitfire, effective June 1, 2012, the Company discontinued selling to Spitfire. The Company instead began selling directly to Spitfire's former customers.

The Company's international footprint provides our customers with flexibility within the Company to manufacture in China, Mexico, Vietnam or the U.S. We believe this strategy has continued to serve the Company well during these uncertain economic times as its customers continuously evaluate their supply chain strategies.

In fiscal years 2013 and 2014, the Company continued to see a trend of Chinese costs increasing, thereby making Mexico a more cost-competitive manufacturing location to service North America. Indications suggest that this trend will continue.

Results of Operations:

Net Sales

Net sales decreased for the three month period ended July 31, 2014 to \$54,947,477 from \$56,166,061 for the three month period ended July 31, 2013. Sales volume decreased for the three month period ended July 31, 2014 as compared to the same period in the prior fiscal year in the industrial electronics, fitness and gaming marketplace. The decrease in sales for these marketplaces was partially offset by an increase in sales in the telecommunications, appliance, medical/life sciences, semiconductor equipment and consumer electronics marketplaces. Customer

demand for product can be volatile and the Company experienced a slowdown during the quarter ended July 31, 2014. Sales were down from the fourth quarter of fiscal 2014. While there is some seasonality to the Company's overall customer demand, this slowdown was unexpected going into the first quarter of fiscal 2015 and the Company believes it reflects the continuing volatility and the short term focus of the economy.

The Company is pleased to report that the sales for the second quarter of fiscal year 2015 have started stronger than the first quarter of fiscal year 2015. The Company suspects that the slowdown experienced in the first quarter of fiscal 2015 was primarily due to customers managing their inventories short term and those customers are now back on track to their original forecast. The Company has recently been awarded new programs with existing customers that is expected to increase its business with them. Also, several programs with new customers will launch during the second quarter of fiscal 2015 which should help set the stage for future revenue growth, which is important given the pricing pressures the Company faces.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Gross Profit

Gross profit decreased during the three month period ended July 31, 2014 to \$4,746,448 or 8.6% of net sales, compared to \$6,288,408 or 11.2 % of net sales for the same period in the prior fiscal year. The decrease in gross profit for the three month period ended July 31, 2014 was primarily the result of decreased sales to customers and continuing pricing pressures. As the Company concentrates on growth it will manage its operations to be flexible to volatile customer demands and pricing pressures, with an eye on long term results.

Selling and Administrative Expenses

Selling and administrative expenses decreased to \$4,514,211 or 8.2% of net sales for the three month period ended July 31, 2014, compared to \$4,855,558 or 8.6% of net sales for the same period in the prior fiscal year. The net decrease for the three month period ended July 31, 2014 was approximately \$341,000. Bonus expense, legal fees and sales salaries accounted for approximately \$310,000 of the decrease in selling and administrative expense for the quarter ended July 31, 2014. The decrease in the foregoing selling and administrative expenses was partially offset by an increase in purchasing, accounting and IT salaries, and additional expenses at the Elgin location.

Interest Expense

Interest expense increased to \$256,547 for the three month period ended July 31, 2014 compared to \$213,960 for the same period in the prior fiscal year. The increase in interest expense for the three month period ended July 31, 2014 was due to increased borrowings under the Company's banking arrangements and capital lease obligations. Interest expense for future quarters may increase if interest rates or borrowings, or both, increase.

Taxes

The income tax benefit from operations was \$1,244 for the three month period ended July 31, 2014 compared to an income tax expense of \$272,875 for the same period in the prior fiscal year. The income tax benefit for the three month period ended July 31, 2014 is a result of lower pre-tax income for the period compared to the quarter ended

July 31, 2013. The Company's effective tax rate was negative 8% and 22% for the quarter ended July 31, 2014 and 2013, respectively. The decrease in the effective tax rate between periods was driven by the tax benefit of the pre-tax loss in the U.S. which offsets a higher level of pre-tax income by foreign subsidiaries, which are subject to lower statutory tax rates.

Net Income

Net income was \$16,810 for the three month period ended July 31, 2014 compared to net income of \$967,464 for the same period in the prior fiscal year. Basic and diluted earnings per share for the first quarter of 2014 were \$0.00 compared to basic and diluted earnings per share of \$0.24 for the same period in the prior fiscal year.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Liquidity and Capital Resources:

Operating Activities.

Cash flow used in operating activities was \$646,188 for the three months ended July 31, 2014, compared to cash flow provided by operating activities of \$2,375,341 for the same period in the prior fiscal year. During the first three months of fiscal year 2014, cash flow used in operating activities was primarily the result of increased inventories in the amount of \$3,816,960, due to a slowdown in customer sales during the quarter. Net cash used in operating activities was partially offset by an increase in trade accounts payable in the amount of \$3,834,672, and the result of net income and the non-cash effects of depreciation and amortization. The increase in accounts payable was due to payments in the ordinary course of business.

Cash flow provided by operating activities was \$2,375,341 for the three months ended July 31, 2013. During the first three months of fiscal year 2014, cash flow used in operating activities was the result of net income, the non-cash effects of depreciation and amortization, stock-based compensation expense and an increase of \$1,365,181 in trade accounts payable. The increase in accounts payable was due to timing of payments in the ordinary course of business. Net cash provided by operating activities was partially offset by an increase in inventories and accounts receivable. The increase in accounts receivable of \$99,385 and inventories of \$1,797,940 was primarily related to increased customer orders during the period.

Investing Activities.

During the first three months of fiscal year 2015, the Company purchased \$2,038,346 in machinery and equipment to be used in the ordinary course of business. The Company has received forecasts from current customers for increased business that would require additional investment in capital equipment and facilities. To the extent that these forecasts come to fruition, the Company anticipates that it will make additional machinery and equipment purchases and potentially expand manufacturing operations in Mexico and China in fiscal year 2015 in the amount of approximately \$13,800,000. The Company anticipates purchases and expansions will be funded by lease transactions, its senior secured credit facility or raising capital from other sources. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future. There is no assurance that the Company will be able to retain or complete the pending renewal of its credit agreements in the future.

During the first three months of fiscal year 2014, the Company purchased approximately \$4,900,000 in machinery and equipment to be used in the ordinary course of business. The Company made additional machinery and equipment purchases of \$3,500,000 during the balance of fiscal year 2014. The purchases were funded by lease transactions and its bank line of credit.

Financing Activities.

Cash used in financing activities was \$301,482 for the three months ended July 31, 2014, compared to cash provided by financing activities of \$714,835 for the same period in the prior fiscal year. Cash used in financing activities was primarily the result of payments under capital lease and sales leaseback agreements.

Cash provided by financing activities was \$714,835 for the three months ended July 31, 2013. Cash provided by financing activities was primarily the result of increased borrowings of \$763,208 under

Table of Contents

SigmaTron International, Inc.

July 31, 2014

the credit facility. The additional borrowings were required to support the purchases of machinery and equipment and the increase in inventory.

Financing Summary.

The Company has a senior secured credit facility with Wells Fargo with a credit limit up to \$30,000,000 and an initial term through September 30, 2013. The facility allows the Company to choose among interest rates at which it may borrow funds. The credit facility is collateralized by substantially all of the domestically located assets of the Company and the Company has pledged 65% of its equity ownership interest in some of its foreign entities. The Company is required to be in compliance with several financial covenants.

In conjunction with Spitfire acquisition, two of the financial covenants required by terms of the senior secured credit facility were amended as of May 31, 2012. During the quarter ended October 31, 2013, the Company renewed its senior secured credit facility. The facility was revised to extend the term of the agreement to October 31, 2015.

As of July 31, 2014, there was a \$22,921,454 outstanding balance and \$7,078,546 of unused availability under the credit facility agreement, assuming the Company remained in compliance with its financial covenants. The facility allows the Company to choose among interest rates at which it may borrow funds. The interest rate is prime rate (3.25% at July 31, 2014) or LIBOR plus two and a one half percent (2.75% at July 31, 2014), which is paid monthly. At July 31, 2014, the Company was in compliance with its amended financial covenants.

In August 2014 the Company and Wells Fargo, N.A. agreed on a proposal to extend the existing senior secured credit facility for three years from the date of closing. Under the proposal financial covenants will be amended, an unused line fee will be added and the net borrowing interest rate will be reduced. The Company expects the transaction will close by October 31, 2014.

The Company entered into a mortgage agreement on January 8, 2010, in the amount of \$2,500,000, with Wells Fargo to refinance the property that serves as the Company's corporate headquarters and its Illinois manufacturing facility. The Wells Fargo note bears interest at a fixed rate of 6.42% per year and is amortized over a sixty month period. A final payment of approximately \$2,000,000 is due on or before January 8, 2015. The outstanding balance as of July 31, 2014 was \$2,050,018.

On August 20, 2010 and October 26, 2010, the Company entered into two capital leasing transactions (a lease finance agreement and a sale leaseback agreement) with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling \$1,150,582. The term of the lease finance agreement, with an initial principal amount of \$315,252, extends to September 2016 with monthly payments of \$4,973 and a fixed interest rate of 4.28%. The term of the sale leaseback agreement, with an initial principal payment amount of \$835,330, extends to August 2016 with monthly payments of \$13,207 and a fixed interest rate of 4.36%. At July 31, 2014, \$123,098 and \$302,608 was outstanding under the lease finance and sale leaseback agreements, respectively. The net book value at July 31, 2014 of the equipment under the lease finance agreement and sale leaseback agreement was \$214,546 and \$533,389, respectively.

In November 2010, the Company entered into a capital lease with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling \$226,216. The term of the lease agreement extends to October 2016 with monthly payments of \$3,627 and a fixed interest rate of 4.99%. At July 31, 2014, the

Table of Contents

SigmaTron International, Inc.

July 31, 2014

balance outstanding under the capital lease agreement was \$92,452. The net book value of the equipment under this lease at July 31, 2014 was \$154,815.

In September 2010, the Company entered into a real estate lease agreement in Union City, CA, to rent 116,993 square feet of manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through March 2021. The amount of the deferred rent income recorded in the first quarter of fiscal 2015 was \$8,142. In addition, the landlord provided the Company tenant incentives of \$418,000, which are being amortized over the life of the lease.

On May 31, 2012, the Company entered into a lease agreement in Tijuana, MX, to rent 112,000 square feet of manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through November 2018. The amount of the deferred rent expense recorded in the first quarter of fiscal 2015 was \$23,295.

On May 31, 2012, the Company completed the acquisition of Spitfire, an OEM of electronic controls, with a focus on the major appliance industry. The acquisition added two manufacturing operations in locations that augment the Company's footprint and add Spitfire's design capabilities which allow the Company to offer design service for the first time in specific markets. In conjunction with the Spitfire acquisition, the Company recorded goodwill and other intangible assets of \$3,222,899 and \$6,142,000, respectively.

On October 3, 2013, the Company entered into two capital leases (sale leaseback agreements) with Associated Bank, National Association in the amount of \$2,281,355 to finance equipment purchased in June 2012. The term of the first agreement, with an initial principal amount of \$2,201,637, extends to September 2018 with monthly payments of \$40,173 and a fixed interest rate of 3.75%. The term of the second agreement, with an initial principal payment amount of \$79,717, extends to September 2018 with monthly payments of \$1,455 and a fixed interest rate of 3.75%. At July 31, 2014, \$1,856,911 and \$67,235 was outstanding under the first and second agreements, respectively. The net book value at July 31, 2014 of the equipment under each of the two agreements was \$1,784,396 and \$66,431.

The Company entered into a mortgage agreement on October 24, 2013, in the amount of \$1,275,000, with Wells Fargo to finance the property that serves as the Company's engineering and design center in Elgin, Illinois. The Wells Fargo note requires the Company to pay monthly principal payments in the amount of \$4,250 and bears interest at a fixed rate of 4.5% per year and is payable over a sixty month period. A final payment of approximately \$1,030,000 is

due on or before October 2018. The outstanding balance as of July 31, 2014 was \$1,236,750.

On March 6, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of \$589,082. The term of the lease extends to March 2019 with monthly payments of \$10,441 and a fixed interest rate of 5.65%. At July 31, 2014, the balance outstanding under the capital lease agreement was \$558,195. The net book value of the equipment under the lease as of July 31, 2014 was \$561,066.

On May 7, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of \$108,971. The term of the lease extends to May 2019 with monthly payments of \$1,931 and a fixed interest rate of 5.65%. At July 31, 2014, the balance outstanding under the capital lease was \$106,217. The net book value of the equipment under the lease as of July 31, 2014 was \$106,701.

Table of Contents

SigmaTron International, Inc.

July 31, 2014

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican, Vietnam and Chinese subsidiaries and the Taiwan international procurement office. The Company provides funding, as needed, in U.S. dollars, which are exchanged for Pesos, Dong, Renminbi, and New Taiwan dollars. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuation for the quarter ended July 31, 2014 resulted in a foreign currency loss of approximately \$76,900 compared to a foreign currency gain of approximately \$8,000 for the same period in the prior year. During the first three months of fiscal year 2015, the Company's U.S. operations paid approximately \$12,200,000 to its foreign subsidiaries for services provided.

The Company has not recorded U.S. income taxes for a significant portion of undistributed earnings of the Company's foreign subsidiaries, since these earnings have been, and under current plans will continue to be, permanently reinvested in these foreign subsidiaries. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is approximately \$13,000,000. The Company's intent is to keep unrepatriated funds indefinitely reinvested outside of the United States and current plans do not demonstrate a need to fund U.S. operations.

The Company anticipates that its credit facilities, cash flow from operations and leasing resources are adequate to meet its working capital requirements and capital expenditures for fiscal year 2015 at the Company's current level of business. The Company has received forecasts from current customers for increased business that would require additional investment in inventory, capital equipment and facilities. To the extent that these forecasts come to fruition, the Company intends to meet any increased capital requirements by seeking an increase in its secured line of credit or raising capital from other sources of debt or equity. In addition, in the event the Company expands its operations, its business grows rapidly, the current economic climate deteriorates, customers delay payments, or the Company consummates an acquisition, additional financing resources would be necessary in the current or future fiscal years. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future. There is no assurance that the Company will be able to retain or complete the pending renewal of its credit agreements in the future, or that any retention or renewal will be on the same terms as currently exist.

Off-balance Sheet Transactions:

The Company has no off-balance sheet transactions.

Contractual Obligations and Commercial Commitments:

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, we are not required to provide the information required by this item.

25

Table of Contents

SigmaTron International, Inc.

July 31, 2014

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, we are not required to provide the information required by this item.

Item 4. Controls and Procedures.

Disclosure Controls:

Our management, including our President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 13a-15(e) and 15(d)-15(e)) as of July 31, 2014. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our President and Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

Internal Controls:

There has been no change in our internal control over financial reporting during the quarter ended July 31, 2014, that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting. Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. GAAP.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As of July 31, 2014, the Company was not a party to any material legal proceedings.

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the description of the risk factors affecting our business as previously disclosed in Item 1A. to Part 1 of our Annual Report on Form 10-K for the fiscal year ended April 30, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

As discussed in the Current Report on Form 8-K filed on June 4, 2012 (the "Report"), the Company agreed to sell a total of 50,000 shares of the Company's common stock to Gregory Jay Ramsey in

Table of Contents

SigmaTron International, Inc.

July 31, 2014

connection with the closing of the Spitfire Transaction, which served as partial consideration for the Acquired Assets (as such term is defined in the Report). The information contained in the Report with respect to such sale is incorporated herein by reference. Of the total, 12,500 shares were sold in each of June, 2012, 2013 and 2014, each in an unregistered sale, in accordance with and under Rule 506 under the Securities Act of 1933, as amended. The facts related to the Company's reliance on Rule 506 are contained in the Company's Form D filed with the Commission on June 25, 2012, and updated on June 17, 2013, and June 10, 2014, which information is incorporated herein by reference. The remaining shares will vest and be sold in one additional installment of 12,500 shares on May 31, 2015, and no event will accelerate the vesting thereof. The unvested shares may be forfeited in limited circumstances, as described in the Report.

The Company hired Peter Sognefest as an employee in connection with the Spitfire Transaction and agreed to sell a total of 25,000 shares of the Company's common stock to Mr. Sognefest in connection with Mr. Sognefest's hiring, and in partial consideration for his services rendered and to be rendered to the Company as an employee. Of the total, 8,330 shares were sold in each of June, 2012 and June, 2013, and 8,340 shares were sold in June 2014, each in an unregistered sale, in accordance with and under Rule 506 under the Securities Act of 1933, as amended. The facts related to the Company's reliance on Rule 506 are contained in the Company's Form D filed with the Commission on June 25, 2012, and updated on June 17, 2013, and June 10, 2014, which information is incorporated herein by reference.

Item 3.Defaults Upon Senior Securities.

None.

Item 4.Mine Safety Disclosures.

Not applicable.

Item 5.Other Information.

None.

Item 6.Exhibits.

10.1 This Schedule # 1217927 to Master Lease Agreement Number 81344 entered into between CIT Finance LLC and SigmaTron International, Inc., dated May 7, 2014.

31.1 Certification of Principal Executive Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

31.2 Certification of Principal Financial Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

32.1 Certification by the Principal Executive Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

27

Table of Contents

SigmaTron International, Inc.

July 31, 2014

32.2 Certification by the Principal Financial Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

101.INSXBRL Instance Document

101.SCHXBRL Taxonomy Extension Scheme Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LABXBRL Taxonomy Extension Label Linkbase Document

101.PREXBRL Taxonomy Extension Presentation Linkbase Document

28
