

PIONEER POWER SOLUTIONS, INC.

Form 10-Q

November 23, 2015

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 September 30, 2015

OR

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

Commission file number: 001-35212

PIONEER POWER SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

27-1347616

(State of incorporation)

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

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400 Kelby Street, 12th Floor

Fort Lee, New Jersey 07024

(Address of principal executive offices)

(212) 867-0700

(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 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

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 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
(Do not check if a 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

The number of shares outstanding of the registrant's Common Stock, \$0.001 par value, as of November 23, 2015 was 8,699,712.

PIONEER POWER SOLUTIONS, INC.

Form 10-Q

For the Quarter Ended September 30, 2015

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PIONEER POWER SOLUTIONS, INC.

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	\$ 24,924	\$ 26,111	\$ 80,272	\$ 68,068
Cost of goods sold	20,083	19,403	65,105	52,251
Gross profit	4,841	6,708	15,167	15,817
Operating expenses				
Selling, general and administrative	4,968	4,071	16,156	11,549
Restructuring, integration and impairment	3,439	-	3,439	-
Foreign exchange (gain)	(234)	(172)	(326)	(108)
Total operating expenses	8,173	3,899	19,269	11,441
Operating (loss) income	(3,332)	2,809	(4,102)	4,376
Interest expense	173	141	506	406
Other expense	1,270	169	1,533	171
Earnings (loss) before income taxes	(4,775)	2,499	(6,141)	3,799
Income tax (benefit) expense	(1,224)	717	(1,548)	1,125
Net (loss) earnings	\$ (3,551)	\$ 1,782	\$ (4,593)	\$ 2,674
Net (loss) earnings per common share:				
Basic	\$ (0.48)	\$ 0.25	\$ (0.62)	\$ 0.37
Diluted	\$ (0.48)	\$ 0.25	\$ (0.62)	\$ 0.37
Weighted average common shares outstanding:				
Basic	7,468	7,172	7,427	7,172
Diluted	7,468	7,226	7,427	7,238

The accompanying notes are an integral part of these consolidated financial statements

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PIONEER POWER SOLUTIONS, INC.

Consolidated Statements of Comprehensive (Loss) Income

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net (loss) earnings	\$ (3,551)	\$ 1,782	\$ (4,593)	\$ 2,674
Other comprehensive income (loss)				
Foreign currency translation adjustments	(1,135)	(951)	(2,381)	(970)
Amortization of net prior service costs and net actuarial losses, net of tax	(42)	(2)	9	71
Other comprehensive income (loss)	(1,177)	(953)	(2,372)	(899)
Comprehensive (loss) income	\$ (4,728)	\$ 829	\$ (6,965)	\$ 1,775

The accompanying notes are an integral part of these consolidated financial statements

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PIONEER POWER SOLUTIONS, INC.

Consolidated Balance Sheets

(In thousands)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ -	\$ 3,832
Accounts receivable, net	15,371	13,101
Inventories, net	15,941	14,429
Income taxes receivable	466	474
Deferred income taxes	2,081	472
Prepaid expenses and other current assets	1,291	1,671
Total current assets	35,150	33,979
Property, plant and equipment, net	7,795	11,195
Noncurrent deferred income taxes	7,687	7,124
Other assets	1,048	1,143
Intangible assets, net	8,251	9,791
Goodwill	12,646	9,606
Total assets	\$ 72,577	\$ 72,838
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank overdrafts	\$ 1,160	\$ -
Revolving credit facilities	9,500	6,860
Accounts payable and accrued liabilities	17,914	14,396
Current maturities of long-term debt and capital lease obligations	6,461	2,483
Income taxes payable	1,396	523
Total current liabilities	36,431	24,262
Long-term debt, net of current maturities	96	9,539
Pension deficit	242	351
Other long-term liability	500	-
Noncurrent deferred income taxes	7,318	7,852
Total liabilities	44,587	42,004
Shareholders' Equity		
Preferred stock, par value \$0.001; 5,000,000 shares authorized; none issued	-	-
Common stock, par value \$0.001; 30,000,000 shares authorized; 8,530,962 and 7,405,962 shares issued and outstanding	9	7

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Additional paid-in capital	22,489	18,370
Accumulated other comprehensive loss	(5,697)	(3,325)
Retained earnings	11,189	15,782
Total shareholders' equity	27,990	30,834
Total liabilities and shareholders' equity	\$ 72,577	\$ 72,838

The accompanying notes are an integral part of these consolidated financial statements

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PIONEER POWER SOLUTIONS, INC.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating activities		
Net (loss) earnings	\$ (4,593)	\$ 2,674
Depreciation	1,053	959
Amortization of intangible assets	1,301	239
Amortization of deferred financing costs	92	82
Deferred income tax	(2,808)	(1,020)
Gain on repurchase of notes	(150)	-
Accrued pension	30	(172)
Stock-based compensation	174	163
Impairments of fixed assets	2,411	-
Loss on sale of fixed assets	36	-
Intangible asset impairment	143	-
Foreign currency remeasurement (gain)	(333)	(140)
Changes in current operating assets and liabilities:		
Accounts receivable	(3,377)	(4,754)
Inventories	(2,446)	(2,412)
Prepaid expenses and other assets	339	(33)
Income taxes	1,122	975
Accounts payable and accrued liabilities	3,935	4,535
Net cash (used in) provided by operating activities	(3,071)	1,096
Investing activities		
Additions to property, plant and equipment	(796)	(594)
Business acquisitions, net of cash acquired	(2,106)	-
Notes receivable	(134)	(109)
Net cash used in investing activities	(3,036)	(703)
Financing activities		
Increase in bank overdrafts	1,160	-
Net increase in revolving credit facilities	2,711	1,468

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Repayment of long-term debt	(4,771)	(1,513)
Payment of deferred financing costs	(46)	-
Repayment of financing obligation	(208)	-
Net proceeds from issuance of common stock	3,946	(15)
Net cash (used in) provided by financing activities	2,792	(60)
(Decrease) increase in cash and cash equivalents	(3,315)	333
Effect of foreign exchange on cash and cash equivalents	(517)	(76)
Cash and cash equivalents		
Beginning of year		