

PIONEER POWER SOLUTIONS, INC.
Form 10-Q
August 10, 2018

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 June 30, 2018

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.)

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 August 10, 2018 was 8,726,045.

PIONEER POWER SOLUTIONS, INC.

Form 10-Q

For the Quarterly Period Ended June 30, 2018

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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		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues	\$24,593	\$27,284	\$48,068	\$52,340
Cost of goods sold	19,390	21,461	38,437	40,951
Gross profit	5,203	5,823	9,631	11,389
Operating expenses				
Selling, general and administrative	4,149	4,184	8,346	8,525
Restructuring and integration	—	1	—	156
Foreign exchange loss (gain)	197	(210)	273	(271)
Total operating expenses	4,346	3,975	8,619	8,410
Income from continuing operations	857	1,848	1,012	2,979
Interest expense	750	611	1,399	1,160
Other expense (income)	22	(44)	138	53
Income (loss) before taxes	85	1,281	(525)	1,766
Income tax expense (benefit)	163	(414)	135	(133)
Net (loss) income from continuing operations	(78)	1,695	(660)	1,899
Loss from discontinued operations, net of income taxes	(718)	(410)	(710)	(507)
Net (loss) income	\$(796)	\$1,285	\$(1,370)	\$1,392
(Loss) earnings per share:				
Basic and diluted				
(Loss) income from continuing operations	\$(0.01)	\$0.19	\$(0.08)	\$0.22
Loss from discontinued operations	(0.08)	(0.04)	(0.08)	(0.05)
Net (loss) income	\$(0.09)	\$0.15	\$(0.16)	\$0.17
Diluted				
(Loss) income from continuing operations	\$(0.01)	\$0.19	\$(0.08)	\$0.22
Loss from discontinued operations	(0.08)	(0.04)	(0.08)	(0.05)
Net (loss) income	\$(0.09)	\$0.15	\$(0.16)	\$0.17

Weighted average common shares outstanding:

Basic	8,726	8,713	8,726	8,707
Diluted	8,726	8,743	8,726	8,737

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

PIONEER POWER SOLUTIONS, INC.

Consolidated Statements of Comprehensive (Loss) Income

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net (loss) income	\$(796)	\$1,285	\$(1,370)	\$1,392
Other comprehensive (loss) income				
Foreign currency translation adjustments	(1)	6	(167)	69
Amortization of net prior service costs and net actuarial (losses)/gains, net of tax	(1)	1	(16)	26
Other comprehensive (loss) income	(2)	7	(183)	95
Comprehensive (loss) income	\$(798)	\$1,292	\$(1,553)	\$1,487

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

PIONEER POWER SOLUTIONS, INC.**Consolidated Balance Sheets****(In thousands, except share data)**

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 315	\$218
Accounts receivable, net	15,319	13,432
Inventories, net	27,173	23,192
Income taxes receivable	421	743
Prepaid expenses and other current assets	3,914	2,803
Current assets of discontinued operations	6,096	7,073
Total current assets	53,238	47,461
Property, plant and equipment, net	5,915	6,335
Deferred income taxes	2,983	2,729
Other assets	4,501	4,281
Intangible assets, net	4,233	4,922
Goodwill	8,527	8,527
Total assets	\$ 79,397	\$74,255
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdrafts	\$ 2,377	\$833
Revolving credit facilities	20,392	17,814
Short term borrowings	3,710	5,430
Accounts payable and accrued liabilities	22,852	16,873
Current maturities of long-term debt and capital lease obligations	1,289	782
Income taxes payable	712	1,164
Current liabilities of discontinued operations	3,064	3,856
Total current liabilities	54,396	46,752
Long-term debt, net of current maturities	3,449	4,153
Pension deficit	284	283
Other long-term liabilities	3,512	3,853
Deferred income taxes	1,614	1,665
Total liabilities	63,255	56,706
Stockholders' equity		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 30,000,000 shares authorized; 8,726,045 shares issued and outstanding on June 30, 2018 and December 31, 2017	9	9
Additional paid-in capital	23,947	23,801
Accumulated other comprehensive loss	(5,981)	(5,798)

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Accumulated deficit	(1,833)	(463)
Total stockholders' equity	16,142	17,549
Total liabilities and stockholders' equity	\$ 79,397	\$ 74,255

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

PIONEER POWER SOLUTIONS, INC.**Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2018	2017
Operating activities		
Net (loss) income	\$(1,370)	\$1,392
Depreciation	616	630
Amortization of intangible assets	749	828
Amortization of right-of-use assets	265	256
Amortization of debt issuance cost	53	149
Deferred income tax benefit	(313)	(1,046)
Change in receivable reserves	(413)	(29)
Change in inventory reserves	182	—
Accrued pension	(1)	(27)
Stock-based compensation	146	171
Other	10	2
Foreign currency remeasurement gain	50	(18)
Changes in current operating assets and liabilities:		
Accounts receivable	(1,135)	(246)
Inventories	(4,517)	(3,993)
Prepaid expenses and other assets	(1,677)	(480)
Income taxes	(120)	67
Accounts payable and accrued liabilities	5,860	4,623
Net cash (used in) / provided by operating activities	(1,615)	2,279
Investing activities		
Additions to property, plant and equipment	(188)	(871)
Proceeds from sale of fixed assets	—	12
Net cash used in investing activities	(188)	(859)
Financing activities		
Bank overdrafts	1,301	(807)
Short term borrowings	6,507	(1,099)
Borrowing under debt agreement	7,922	24,606
Repayment of debt	(13,785)	(23,506)
Payment of debt issuance cost	(28)	(78)
Net proceeds from the exercise of options for common stock	—	59
Principal repayments of financing leases	(248)	(198)
Net cash provided by / (used in) financing activities	1,669	(1,023)

(Decrease) / increase in cash and cash equivalents	(134)	397
Effect of foreign exchange on cash and cash equivalents	231	(301)
Cash and cash equivalents		
Beginning of period	218	246
End of period	\$315	\$342

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

PIONEER POWER SOLUTIONS, INC.

Notes to Consolidated Financial Statements

June 30, 2018 (unaudited)

1. BASIS OF PRESENTATION

Overview

Pioneer Power Solutions, Inc. and its wholly owned subsidiaries (referred to herein as the “Company,” “Pioneer,” “we,” “our” and “us”) manufacture, sell and service a broad range of specialty electrical transmission, distribution and on-site power generation equipment for applications in the utility, industrial, commercial and backup power markets. The Company is headquartered in Fort Lee, New Jersey and operates from twelve (12) additional locations in the U.S., Canada and Mexico for manufacturing, centralized distribution, engineering, sales and administration.

We have two reportable segments as defined in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission (the “SEC”) on April 2, 2018: Transmission and Distribution Solutions (“T&D Solutions”) and Critical Power Solutions (“Critical Power”).

Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the SEC and reflect the accounts of the Company as of June 30, 2018. Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), have been condensed or omitted pursuant to those rules and regulations. We believe that the disclosures made are adequate to make the information presented not misleading to the reader. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the financial position, results of operations and cash flows with respect to the interim consolidated financial statements have been included. The results of operations for the interim period are not necessarily indicative of the results for the entire fiscal year. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP for a year-end balance sheet.