

PARK ELECTROCHEMICAL CORP
Form 10-Q
January 04, 2019

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 November 25, 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 1-4415

PARK ELECTROCHEMICAL CORP.

(Exact Name of Registrant as Specified in Its Charter)

New York **11-1734643**
(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

48 South Service Road, Melville, N.Y. 11747
(Address of Principal Executive Offices) (Zip Code)

(631) 465-3600

(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 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 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, a smaller reporting company, or an emerging growth company. See 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 Accelerated Filer Non-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 [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 20,279,408 as of January 3, 2019.

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page</u>
	<u>Number</u>
PART I. FINANCIAL INFORMATION:	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets November 25, 2018 (Unaudited) and February 25, 2018	3
Consolidated Statements of Operations 13 weeks and 39 weeks ended November 25, 2018 and November 26, 2017 (Unaudited)	4
Consolidated Statements of Comprehensive Earnings (Loss) 13 weeks and 39 weeks ended November 25, 2018 and November 26, 2017 (Unaudited)	5
Condensed Consolidated Statements of Cash Flows 39 weeks ended November 25, 2018 and November 26, 2017 (Unaudited)	6
Notes to Consolidated Financial Statements (Unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Factors That May Affect Future Results	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	23
Item 4. Controls and Procedures	23
PART II. OTHER INFORMATION:	
Item 1. Legal Proceedings	24
Item 1A. Risk Factors	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3. Defaults Upon Senior Securities	24
Item 4. Mine Safety Disclosures	24

Item 5. Other Information	24
Item 6. Exhibits	25
SIGNATURES	26
EXHIBIT INDEX	27

PART I. FINANCIAL INFORMATION**Item I. Financial Statements.****PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Amounts in thousands)**

	November 25, 2018 (unaudited)	February 25, 2018*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,995	\$ 18,254
Marketable securities (Note 3)	95,391	89,977
Accounts receivable, less allowance for doubtful accounts of \$32 and \$32, respectively	5,864	6,961
Inventories (Note 4)	4,577	3,955
Prepaid expenses and other current assets	1,503	1,473
Current Assets - Discontinued Operations (Note 10)	23,110	20,648
Total current assets	147,440	141,268
Property, plant and equipment, net	8,888	9,805
Goodwill and other intangible assets	9,818	9,818
Other assets	384	370
Non-current Assets - Discontinued Operations (Note 10)	11,409	11,799
Total assets	\$ 177,939	\$ 173,060
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,709	\$ 1,825
Accrued liabilities	1,461	1,022
Income taxes payable	1,539	1,456
Current Liabilities - Discontinued Operations (Note 10)	9,511	7,924
Total current liabilities	14,220	12,227
Non-current income taxes payable (Note 9)	18,594	20,364

Edgar Filing: PARK ELECTROCHEMICAL CORP - Form 10-Q

Deferred income taxes (Note 9)	3,107	4,047
Other liabilities	1,060	314
Non-current Liabilities - Discontinued Operations (Note 10)	847	847
Total liabilities	37,828	37,799
Commitments and contingencies (Note 11)		
Shareholders' equity (Note 8)		
Common stock	2,096	2,096
Additional paid-in capital	169,489	169,011
Accumulated deficit	(17,615)	(21,099)
Accumulated other comprehensive earnings	241	131
	154,211	150,139
Less treasury stock, at cost	(14,100)	(14,878)
Total shareholders' equity	140,111	135,261
Total liabilities and shareholders' equity	\$ 177,939	\$ 173,060

*The balance sheet at February 25, 2018 has been derived from the audited financial statements at that date.

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

	13 Weeks Ended (Unaudited)		39 Weeks Ended (Unaudited)	
	November 25, 2018	November 26, 2017	November 25, 2018	November 26, 2017
Net sales	\$12,853	\$ 10,229	\$34,457	\$ 30,310
Cost of sales	8,569	7,264	24,176	21,840
Gross profit	4,284	2,965	10,281	8,470
Selling, general and administrative expenses	1,983	2,509	6,200	7,189
Earnings from continuing operations	2,301	456	4,081	1,281
Interest expense (Note 5)	-	689	-	1,802
Interest and other income	393	734	1,090	2,234
Earnings from continuing operations before income taxes	2,694	501	5,171	1,713
Income tax provision (Note 9)	616	157	453	438
Net earnings from continuing operations	2,078	344	4,718	1,275
Earnings from discontinued operations, net of tax (Note 10)	1,613	372	4,841	1,355
Net Earnings	\$3,691	\$ 716	\$9,559	\$ 2,630
Earnings per share (Note 7)				
Basic:				
Continuing Operations	\$0.10	\$ 0.02	\$0.23	\$ 0.06
Discontinued Operations	0.08	0.02	0.24	0.07
Basic earnings per share	\$0.18	\$ 0.04	\$0.47	\$ 0.13
Basic weighted average shares	20,278	20,237	20,258	20,236
Diluted:				
Continuing Operations	\$0.10	\$ 0.02	\$0.23	\$ 0.06
Discontinued Operations	0.08	0.02	0.24	0.07
Diluted earnings per share	\$0.18	\$ 0.04	\$0.47	\$ 0.13
Diluted weighted average shares	20,352	20,261	20,343	20,252
Dividends declared per share	\$0.10	\$ 0.10	\$0.30	\$ 0.30

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)****(Amounts in thousands)**

	13 Weeks Ended (Unaudited)		39 Weeks Ended (Unaudited)	
	November 25, 2018	November 26, 2017	November 25, 2018	November 26, 2017
Net earnings	\$3,691	\$ 716	\$9,559	\$ 2,630
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation	8	(44)	7	(3)
Unrealized gains on marketable securities:				
Unrealized holding gains arising during the period	-	-	-	24
Less: reclassification adjustment for gains included in net earnings	-	(17)	-	(113)
Unrealized losses on marketable securities:				
Unrealized holding losses arising during the period	(19)	(805)	(37)	(922)
Less: reclassification adjustment for losses included in net earnings	30	19	140	65
Other comprehensive earnings (loss)	19	(847)	110	(949)
Total comprehensive earnings (loss)	\$3,710	\$ (131)	\$9,669	\$ 1,681

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	39 Weeks Ended (Unaudited)	
	November 25, 2018	November 26, 2017
Cash flows from operating activities:		
Net earnings from continuing operations	\$4,718	\$1,275
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,317	1,366
Stock-based compensation	594	709
Deferred income taxes	(940)	689
Amortization of bond premium	(34)	221
Changes in operating assets and liabilities	(430)	(828)
Net cash provided by operating activities - continuing operations	5,225	3,432
Net cash provided by operating activities - discontinued operations	5,731	1,547
Net cash provided by operating activities	10,956	4,979
Cash flows from investing activities:		
Purchase of property, plant and equipment	(399)	(428)
Purchases of marketable securities	(19,271)	(162,018)
Proceeds from sales and maturities of marketable securities	14,238	94,577
Net cash used in investing activities - continuing operations	(5,432)	(67,869)
Net cash used in investing activities - discontinued operations	(158)	(275)
Net cash used in investing activities	(5,590)	(68,144)
Cash flows from financing activities:		
Dividends paid	(6,076)	(6,071)
Proceeds from exercise of stock options	661	39
Payments of long-term debt	-	(2,750)
Net cash used in financing activities - continuing operations	(5,415)	(8,782)
Net cash used in financing activities - discontinued operations	-	-
Net cash used in financing activities	(5,415)	(8,782)
Decrease in cash and cash equivalents before effect of exchange rate changes - continuing operations	(5,622)	(73,219)
Increase in cash and cash equivalents before effect of exchange rate changes - discontinued operations	5,573	1,272

Edgar Filing: PARK ELECTROCHEMICAL CORP - Form 10-Q

Decrease in cash and cash equivalents before effect of exchange rate changes	(49)	(71,947)
Effect of exchange rate changes on cash and cash equivalents - continuing operations	(3)	(67)
Effect of exchange rate changes on cash and cash equivalents - discontinued operations	(1,207)	168
Effect of exchange rate changes on cash and cash equivalents	(1,210)	101
Decrease in cash and cash equivalents:	(1,259)	(71,846)
Cash and cash equivalents, beginning of period	18,254	102,438
Cash and cash equivalents, end of period	\$16,995	\$30,592
Supplemental cash flow information:		
Cash paid during the period for income taxes, net of refunds	\$2,332	\$3,074
Cash paid during the period for interest	\$-	\$1,402

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Amounts in thousands, except share (unless otherwise stated), per share and option amounts)

1. CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Balance Sheet as of November 25, 2018, the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Earnings (Loss) for the 13 weeks and 39 weeks ended November 25, 2018 and November 26, 2017 and the Condensed Consolidated Statements of Cash Flows for the 39 weeks then ended have been prepared by Park Electrochemical Corp. (the “Company”), without audit. In the opinion of management, these unaudited consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at November 25, 2018 and the results of operations and cash flows for all periods presented. The Consolidated Statements of Operations are not necessarily indicative of the results to be expected for the full fiscal year or any subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 25, 2018. There have been no significant changes to such accounting policies during the 39 weeks ended November 25, 2018.

On July 25, 2018, the Company entered into a definitive agreement to sell its Electronics Business for \$145,000 in cash. This transaction was completed on December 4, 2018. (See Note 13).

The Company has classified the operating results of its Electronics Business, together with certain costs related to the transaction, as discontinued operations, net of tax, in the Consolidated Statements of Operations, in accordance with Accounting Standards Codification (“ASC”) 205-20 *Discontinued Operations* (See Note 10).

2. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the “exit price”) in an orderly transaction between market participants at the measurement date.

Fair value measurements are broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (*e.g.*, interest rates and yield curves observable at commonly quoted intervals or current market), and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. Certain assets and liabilities of the Company are required to be recorded at fair value on either a recurring or non-recurring basis. On a recurring basis, the Company records its marketable securities at fair value using Level 1 or Level 2 inputs. (See Note 3).

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any long-lived assets written down to fair value. To measure the fair value of such assets, the Company uses Level 3 inputs consisting of techniques including an income approach and a market approach. The income approach is based on a discounted cash flow analysis and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the discounted cash flow analysis require the exercise of significant judgment, including judgment about appropriate discount rates, terminal values, growth rates and the amount and timing of expected future cash flows. There were no transfers between levels within the fair value hierarchy during the 39 weeks ended November 25, 2018 and November 26, 2017. With respect to goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that fair value is less than carrying value. If, based on that assessment, the Company believes it is more likely than not that fair value is less than carrying value, a goodwill impairment test is performed. There have been no changes in events or circumstances which required impairment charges to be recorded during the 13 or 39 weeks ended November 25, 2018.

3. MARKETABLE SECURITIES

All marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, included in comprehensive earnings (loss). Realized gains and losses, amortization of premiums and discounts, and interest and dividend income are included in interest and other income in the Consolidated Statements of Operations. The costs of securities sold are based on the specific identification method.

The following is a summary of available-for-sale securities:

	November 25, 2018			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$74,463	\$74,463	\$ -	\$ -
U.S. corporate debt securities	20,928	20,928	-	-
Total marketable securities	\$95,391	\$95,391	\$ -	\$ -

	February 25, 2018			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$78,361	\$78,361	\$ -	\$ -
U.S. corporate debt securities	11,616	11,616	-	-
Total marketable securities	\$89,977	\$89,977	\$ -	\$ -

The following table shows the amortized cost basis of, and gross unrealized gains and losses on, the Company's available-for-sale securities:

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses
November 25, 2018:			
U.S. Treasury and other government securities	\$ 76,070	\$ -	\$ 1,607
U.S. corporate debt securities	20,977	1	50
Total marketable securities	\$ 97,047	\$ 1	\$ 1,657
February 25, 2018:			
U.S. Treasury and other government securities	\$ 80,116	\$ -	\$ 1,755
U.S. corporate debt securities	11,675	-	59
Total marketable securities	\$ 91,791	\$ -	\$ 1,814

The estimated fair values of such securities at November 25, 2018 by contractual maturity are shown below:

Due in one year or less	\$41,802
Due after one year through five years	53,589
	\$95,391

4. INVENTORIES

Inventories from continuing operations are stated at the lower of cost (first-in, first-out method) or net realizable value. The Company writes down its inventory for estimated obsolescence or unmarketability based upon the age of the inventory and assumptions about future demand for the Company's products and market conditions. Inventories from continuing operations consisted of the following:

	November	February
	25,	25,
	2018	2018

Inventories:

Raw materials	\$ 3,407	\$ 2,824
Work-in-process	233	159
Finished goods	937	972
	\$ 4,577	\$ 3,955

5. LONG-TERM DEBT

On January 15, 2016, the Company entered into a three-year revolving credit facility agreement (the “Credit Agreement”) with HSBC Bank USA, National Association (“HSBC Bank”). The Credit Agreement provided for loans up to \$75,000 and letters of credit up to \$2,000.

On January 3, 2018, in connection with the Company’s voluntary prepayment of the entire loan balance, the Company terminated the Credit Agreement. The prepayment was made with the Company’s cash and cash equivalents, marketable securities and restricted cash.

Interest expense recorded under the Credit Agreement was \$0 during the 13-week and 39-week periods ended November 25, 2018 and \$689 and \$1,802 during the 13-week and 39-week periods ended November 26, 2017, respectively.

6. STOCK-BASED COMPENSATION

As of November 25, 2018, the Company had a 2018 Stock Option Plan (the “2018 Plan”), and no other stock-based compensation plan. The 2018 Plan was adopted by the Board of Directors of the Company on May 8, 2018 and approved by the shareholders of the Company at the Annual Meeting of Shareholders of the Company on July 24, 2018. No options have been granted under the 2018 Plan. Prior to the 2018 Plan, the Company had the 2002 Stock Option Plan (the “2002 Plan”) which had been approved by the Company’s shareholders and provided for the grant of stock options to directors and key employees of the Company. All options granted under the 2002 Plan have exercise prices equal to the fair market value of the underlying common stock of the Company at the time of grant, which, pursuant to the terms of the 2002 Plan, was the reported closing price of the common stock on the New York Stock Exchange on the date preceding the date the option was granted. Options granted under the 2002 Plan become exercisable 25% one year after the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant, and expire 10 years after the date of grant.

During the 39 weeks ended November 25, 2018, the Company granted options to purchase a total of 2,650 shares of common stock to certain of its employees. The future compensation expense to be recognized in earnings before income taxes was \$10 and will be recorded on a straight-line basis over the requisite service period. The fair value of the granted options was \$3.66 per share using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.83%; expected volatility factor of 24.7%; expected dividend yield of 2.32%; and estimated option term of 5.2 years.

The risk-free interest rates were based on U.S. Treasury rates at the date of grant with maturity dates approximately equal to the estimated terms of the options at the date of the grant. Volatility factors were based on historical volatility of the Company's common stock. The expected dividend yields were based on the regular quarterly cash dividend per share most recently declared by the Company and on the exercise price of the options granted during the 39 weeks ended November 25, 2018. The estimated term of the options was based on evaluations of the historical and expected future employee exercise behavior.

The 2002 Plan terminated on May 21, 2018, and authority to grant additional options under the 2002 Plan expired on that date. All options granted under the 2002 Plan will expire in April 2028 or earlier.

The following is a summary of option activity for the 39 weeks ended November 25, 2018:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Balance, February 25, 2018	885,554	\$ 17.55	
Granted	2,650	17.75	
Exercised	(37,837)	17.50	
Terminated or expired	(101,463)	19.59	
Balance, November 25, 2018	748,904	\$ 17.28	4.78
Vested and exercisable, November 25, 2018	627,935	\$ 18.00	4.41

7. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the potentially dilutive securities outstanding during the period. Stock options are the only potentially dilutive securities that have been issued by the Company; and the number of dilutive options is computed using the treasury stock method.

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

	13 Weeks Ended November 25, 2018		39 Weeks Ended November 25, 2018	
	November 26, 2017	November 26, 2017	November 26, 2017	November 26, 2017
Net earnings - continuing operations	\$2,078	\$ 344	\$4,718	\$ 1,275
Net earnings - discontinued operations	1,613	372	4,841	1,355
Net earnings	\$3,691	\$ 716	\$9,559	\$ 2,630
Weighted average common shares outstanding for basic EPS	20,278	20,237	20,258	20,236
Net effect of dilutive options	74	24	85	16

Weighted average shares outstanding for diluted EPS	20,352	20,261	20,343	20,252
Basic earnings per share - continuing operations	0.10	0.02	0.23	0.06
Basic earnings per share - discontinued operations	0.08	0.02	0.24	0.07
Basic earnings per share	\$0.18	\$ 0.04	\$0.47	\$ 0.13
Diluted earnings per share - continuing operations	0.10	0.02	0.23	0.06
Diluted earnings per share - discontinued operations	0.08	0.02	0.24	0.07
Diluted earnings per share	\$0.18	\$ 0.04	\$0.47	\$ 0.13

Potentially dilutive securities, which were not included in the computation of diluted earnings per share because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 145,000 and 599,000 for the 13 weeks ended November 25, 2018 and November 26, 2017, respectively, and 279,000 and 728,000 for the 39 weeks ended November 25, 2018 and November 26, 2017, respectively.

8. SHAREHOLDERS' EQUITY

During the 39 weeks ended November 25, 2018, the Company sold 37,837 shares of the Company's treasury stock pursuant to the exercises of employee stock options and received proceeds of \$661 from such exercises. The Company recognized stock-based compensation expense, net of tax benefits, of \$594.

On January 8, 2015, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,250,000 shares of its common stock, representing approximately 6% of the Company's 20,945,634 total outstanding shares as of the close of business on January 7, 2015. This authorization superseded all prior Board of Directors' authorizations to purchase shares of the Company's common stock.

On March 10, 2016, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,000,000 additional shares of its common stock, in addition to the unused prior authorization to purchase shares of the Company's common stock announced on January 8, 2015. As a result, the Company is authorized to purchase up to a total of 1,531,412 shares of its common stock, representing approximately 7.6% of the Company's 20,279,408 total outstanding shares as of the close of business on January 3, 2019.

The Company did not purchase any shares of its common stock during the 39 weeks ended November 25, 2018 or during the 39 weeks ended November 26, 2017.

9. INCOME TAXES

The Company's effective tax rates for the 13 weeks and 39 weeks ended November 25, 2018 were 22.9% and 8.8%, respectively, compared to 31.3% and 25.6%, respectively, for the 13 weeks and 39 weeks ended November 26, 2017.

The Company continuously evaluates the liquidity and capital requirements of its operations in the United States and of its foreign operations. As a result of such evaluations, the Company repatriated \$113,700 and \$135,300 in cash from the Company's subsidiary in Singapore in the 2019 and 2018 fiscal years, respectively.

10. DISCONTINUED OPERATIONS

On July 25, 2018, the Company entered into a definitive agreement to sell its Electronics Business for \$145,000 in cash. The Company completed this transaction on December 4, 2018.

The Company has classified the operating results of its Electronics Business, together with certain costs related to the transaction, as discontinued operations, net of tax, in the Consolidated Statements of Operations.

The following table shows the summary operating results of the discontinued operations:

	13 Weeks Ended		39 Weeks Ended	
	(Unaudited)		(Unaudited)	
	November	November	November	November
	25,	26,	25,	26,
	2018	2017	2018	2017
Net sales	\$16,680	\$ 15,910	\$55,232	\$ 53,082
Cost of sales	13,962	12,805	42,899	41,983
Gross profit	2,718	3,105	12,333	11,099
Selling, general and administrative expenses	2,597	2,098	7,643	6,213
Restructuring charges	836	662	1,593	5,300
Earnings (loss) from discontinued operations	(715)	345	3,097	(414)
Other income	2,945	-	2,945	-
Earnings (loss) from discontinued operations before income taxes	2,230	345	6,042	(414)
Income tax provision (benefit)	617	(27)	1,201	(1,769)
Net earnings from discontinued operations	\$1,613	\$ 372	\$4,841	\$ 1,355

The following table shows the summary assets and liabilities of the discontinued operations:

	November 25, 2018 (unaudited)	February 25, 2018*
Carrying Amount of Major Classes of Assets Included as Part of Discontinued Operations:		
Accounts Receivable, Net	\$ 12,261	\$ 12,801
Inventories	9,950	7,201
Fixed Assets, Net	6,041	6,727
Prepaid Expenses and Other Current Assets	899	646
Total Major Assets Included as Part of Discontinued Operations	29,151	27,375
Other Assets	5,368	5,072
Total Assets Included as Part of Discontinued Operations	\$ 34,519	\$ 32,447
Carrying Amount of Major Classes of Liabilities Included as Part of Discontinued Operations:		
Accounts Payable	\$ 3,717	\$ 2,200
Accrued Liabilities	4,460	4,360
Deferred Income Taxes	618	618
Income Taxes Payable	1,334	1,364
Total Major Liabilities Included as Part of Discontinued Operations	10,129	8,542
Other Liabilities	229	229
Total Liabilities Included as Part of Discontinued Operations	\$ 10,358	\$ 8,771

* These amounts have not been audited and are based on the audited financial statements.

During the 2018 fiscal year, the Company consolidated its Nelco Products, Inc. Business Unit located in Fullerton, California and its Neltec, Inc. Business Unit located in Tempe, Arizona. The Company estimates the remaining pre-tax charge in connection with the consolidation to be approximately \$840, which the Company expects to incur primarily during the fiscal year ending February 28, 2021.

The restructuring expenses were \$61 and \$231 during the 13-week and 39-week periods ended November 25, 2018, respectively, and \$360 and \$4,423 during the 13-week and 39-week periods ended November 26, 2017, respectively.

The following table sets forth the charges and accruals related to the consolidation:

	Accrual	Current	Cash	Non-Cash	Accrual	Total	Total
	August	Period	Payments	Charges	November	Expense	Expected
	26,	Charges			25,	Accrued	Costs
	2018				2018	to	
						Date	
Facility Lease Costs	\$ 1,835	\$ 18	\$ (273)	\$ -	\$ 1,580	\$ 2,818	\$ 2,818
Severance Costs	-	-	-	-	-	1,081	1,081
Equipment Removal	-	-	-	-	-	-	700
Other	-	43	(43)	-	-	760	901
Total Restructuring Charges	\$ 1,835	\$ 61	\$ (316)	\$ -	\$ 1,580	\$ 4,659	\$ 5,500

The Company recorded additional restructuring charges of \$101 and \$357 during the 13-week and 39-week periods ended November 25, 2018, respectively, and \$112 and \$312 during the 13-week and 39-week periods ended November 26, 2017, respectively, related to the closure in the 2009 fiscal year of the Company's New England Laminates Co., Inc. Business Unit located in Newburgh, New York. The New England Laminates Co., Inc. building in Newburgh, New York was sold on November 15, 2018; the gain on the sale was \$2,945 and was recorded in the 13-week and 39-week periods ended November 25, 2018.

11. CONTINGENCIES

Litigation

The Company is subject to a number of proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. The Company believes that the ultimate disposition of such proceedings, lawsuits and claims will not have a material adverse effect on the Company's liquidity, capital resources or business or its consolidated results of operations, cash flows or financial position.

Environmental Contingencies

The Company and certain of its subsidiaries have been named by the Environmental Protection Agency (the "EPA") or a comparable state agency under the Comprehensive Environmental Response, Compensation and Liability Act (the "Superfund Act") or similar state law as potentially responsible parties in connection with alleged releases of hazardous substances at three sites.

Under the Superfund Act and similar state laws, all parties who may have contributed any waste to a hazardous waste disposal site or contaminated area identified by the EPA or comparable state agency may be jointly and severally liable for the cost of cleanup. Generally, these sites are locations at which numerous persons disposed of hazardous waste. In the case of the Company's subsidiaries, generally the waste was removed from their manufacturing facilities and disposed at waste sites by various companies which contracted with the subsidiaries to provide waste disposal services. Neither the Company nor any of its subsidiaries have been accused of or charged with any wrongdoing or illegal acts in connection with any such sites. The Company believes it maintains an effective and comprehensive environmental compliance program.

The insurance carriers which provided general liability insurance coverage to the Company and its subsidiaries for the years during which the Company's subsidiaries' waste was disposed at these sites have in the past reimbursed the Company and its subsidiaries for 100% of their legal defense and remediation costs associated with two of these sites.

The Company does not record environmental liabilities and related legal expenses for which the Company believes that it and its subsidiaries have general liability insurance coverage for the years during which the Company's subsidiaries' waste was disposed at two sites for which certain subsidiaries of the Company have been named as potentially responsible parties. Pursuant to such general liability insurance coverage, three insurance carriers reimburse the Company and its subsidiaries for 100% of the legal defense and remediation costs associated with the two sites.

Included in selling, general and administrative expenses are charges for actual expenditures and accruals, based on estimates, for certain environmental matters described above. The Company accrues estimated costs associated with known environmental matters, when such costs can be reasonably estimated and when the outcome appears probable. The Company believes that the ultimate disposition of known environmental matters will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

12. ACCOUNTING PRONOUNCEMENTS

Recently Adopted

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, to reduce the diversity that exists in the classification and presentation of changes in restricted cash in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017 and the interim periods within those fiscal years. The Company has adopted the guidance effective February 26, 2018, the first day of the 2019 fiscal year, and the adoption of this guidance did not impact its consolidated results of operations, cash flows, financial position or disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, to reduce the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017 and the interim periods within those fiscal years. The Company has adopted the guidance effective February 26, 2018, the first day of the 2019 fiscal year, and the adoption of this guidance did not impact its consolidated results of operations, cash flows, financial position or disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, intended to improve the recognition and measurement of financial instruments, effective for public business entities for fiscal years beginning after December 15, 2017, and the interim periods within those fiscal years. The Company has adopted the guidance effective February 26, 2018, the first day of the 2019 fiscal year, and the adoption of this guidance did not impact its consolidated results of operations, cash flows, financial position or disclosures.

In May 2014, the FASB issued ASC Topic 606, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. The new standard was originally scheduled to be effective for fiscal years beginning after December 15, 2016, including interim reporting periods within those fiscal years. In August 2015, the FASB delayed the effective date of this guidance for one year. With the delay, the new standard is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, with an option to adopt the standard on the originally scheduled effective date. The Company has adopted the guidance effective February 26, 2018, the first day of the 2019 fiscal year, and the adoption of this guidance did not impact its consolidated results of operations, cash flows, financial position or disclosures.

Recently Issued

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, intended to increase transparency and comparability among companies by requiring most leases to be included on the balance sheet and by expanding disclosure requirements, effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years (*i.e.*, January 1, 2019, for a calendar year entity). Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The Company is currently evaluating the impact that this new guidance may have on its consolidated results of operations, cash flows, financial position and disclosures.

13. SUBSEQUENT EVENTS

On December 4, 2018, the Company completed the previously announced sale (the “Sale”) of its digital and radio frequency/microwave printed circuit materials business (collectively, the “Electronics Business”), including manufacturing facilities in Singapore, France, Arizona and California and R&D facilities in Arizona and Singapore, to AGC Inc., a Japanese corporation (the “Buyer”). The Sale was completed pursuant to the terms of the Stock Purchase Agreement (the “Purchase Agreement”), dated as of July 25, 2018, by and among the Company, its wholly-owned subsidiary, ParkNelco SNC, an entity organized under the laws of France, and the Buyer. Under the terms of the Purchase Agreement, the Buyer acquired all of the outstanding equity interests in Nelco Products, Inc., a Delaware corporation, Neltec, Inc., a Delaware corporation, Neltec SA, an entity organized under the laws of France, and Nelco Products Pte. Ltd., an entity organized under the laws of Singapore (collectively, the “Acquired Subsidiaries”), all of which were, directly or indirectly, wholly-owned subsidiaries of the Company, for an aggregate purchase price of \$145,000 in cash, subject to post-closing adjustments for changes in working capital compared to a target, cash in the Acquired Subsidiaries and certain accrued and unpaid taxes of the Acquired Subsidiaries.

The net proceeds from the Sale were approximately \$122,561, net of transaction costs and taxes of approximately \$22,439. The net gain on the Sale is estimated to be \$101,568.

On January 3, 2019, the Company announced that its Board of Directors declared a special cash dividend of \$4.25 per share payable February 26, 2019 to shareholders of record at the close of business on February 5, 2019.

In December 2018, the Company’s wholly owned subsidiary, Park Aerospace Technologies, Corp. (“PATC”), entered into a Development Agreement with the City of Newton, Kansas and the Board of County Commissioners of Harvey County, Kansas pursuant to which PATC agreed to construct and operate an additional manufacturing facility approximately 90,000 square feet in size for the design, development and manufacture of advanced composite materials and parts, structures and assemblies for aerospace equipped through the purchase of machinery, equipment

and furnishings and to create additional new full-time employment of specified levels during a five-year period in exchange for the commitment by the City and the County to lease to PATC three acres of land at the Newton City/County Airport, in addition to the eight acres previously leased to PATC by the City and County, and to provide financial and other assistance toward the construction of the additional facility as set forth in the Development Agreement. The Company estimates the total cost of the additional facility to be approximately \$19 million, and the Company expects to complete the construction of the additional facility in the first half of the 2020 calendar year.

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

General:

Park Electrochemical Corp. (“Park” or the “Company”) is an Aerospace Company which develops and manufactures solution and hot-melt advanced composite materials used to produce composite structures for the global aerospace markets. Park’s advanced composite materials include film adhesives (undergoing qualification) and lightning strike materials. Park offers an array of composite materials specifically designed for hand lay-up or automated fiber placement (AFP) manufacturing applications. Park’s advanced composite materials are used to produce primary and secondary structures for jet engines, large and regional transport aircraft, military aircraft, Unmanned Aerial Vehicles (UAVs commonly referred to as “drones”), business jets, general aviation aircraft and rotary wing aircraft. Park also offers specialty ablative materials for rocket motors and nozzles and specially designed materials for radome applications. As a complement to Park’s advanced composite materials offering, Park designs and fabricates composite parts, structures and assemblies and low volume tooling for the aerospace industry. Target markets for Park’s composite parts and structures (which include Park’s patented composite Sigma Strut and Alpha Strut product lines) are, among others, prototype and development aircraft, special mission aircraft, spares for legacy military and civilian aircraft and exotic spacecraft.

On December 4, 2018, Park completed the previously announced sale (the “Sale”) of its digital and radio frequency/microwave printed circuit materials business (collectively, the “Electronics Business”), including manufacturing facilities in Singapore, France, California and Arizona and R&D facilities in Singapore and Arizona, to AGC Inc. for an aggregate purchase price of \$145 million in cash, subject to post-closing adjustments for changes in working capital compared to target, cash in certain acquired subsidiaries and certain accrued and unpaid taxes of certain acquired subsidiaries. See Note 10, “Discontinued Operations”, of the Notes to Consolidated Financial Statements elsewhere in this Report for additional information on the Sale.

Financial Overview

The Company's total net sales from continuing operations in the 13 weeks and 39 weeks ended November 25, 2018 were \$12.9 million and \$34.5 million, respectively, compared to \$10.2 million and \$30.3 million in the 13 weeks and 39 weeks ended November 26, 2017, respectively.

The Company’s gross profit margins from continuing operations, measured as percentages of sales, were 33.3% and 29.8%, respectively, in the 13 weeks and 39 weeks ended November 25, 2018 compared to 29.0% and 27.9%, respectively, in the 13 weeks and 39 weeks ended November 26, 2017.

The Company's earnings from continuing operations and net earnings from continuing operations were 405% and 504% higher, respectively, in the 13 weeks ended November 25, 2018 compared to the 13 weeks ended November 26, 2017 and 219% and 270% higher, respectively, in the 39 weeks ended November 25, 2018 than in last fiscal year's comparable period primarily as a result of higher sales, higher net interest income due to the elimination of interest expense as a result of the Company's voluntary prepayment of long-term debt and a lower tax provision compared to last year's comparable periods.

The Company has a number of long-term contracts pursuant to which certain of its customers, some of which represent a substantial portion of the Company's revenue, place orders. Long-term contracts with the Company's customers are primarily requirements based and do not guarantee quantities. An order forecast is generally agreed concurrently with pricing for any applicable long-term contract. This order forecast is then typically updated periodically during the term of the underlying contract. Purchase orders generally are received in excess of three months in advance of delivery.

Results of Operations:

The following table sets forth the components of the consolidated statements of operations:

(amounts in thousands, except per share amounts)	13 Weeks Ended			39 Weeks Ended		
	November 25, 2018	November 26, 2017	% Change	November 25, 2018	November 26, 2017	% Change
Net sales	\$ 12,853	\$ 10,229	26 %	\$ 34,457	\$ 30,310	14 %
Cost of sales	8,569	7,264	18 %	24,176	21,840	11 %
Gross profit	4,284	2,965	44 %	10,281	8,470	21 %
Selling, general and administrative expenses	1,983	2,509	(21) %	6,200	7,189	(14) %
Earnings from continuing operations	2,301	456	405 %	4,081	1,281	219 %
Interest expense	-	689	(100) %	-	1,802	(100) %
Interest and other income	393	734	(46) %	1,090	2,234	(51) %
Earnings from continuing operations before income taxes	2,694	501	438 %	5,171	1,713	202 %
Income tax provision	616	157	292 %	453	438	3 %
Net earnings from continuing operations	2,078	344	504 %	4,718	1,275	270 %
Earnings from discontinued operations, net of tax	1,613	372	334 %	4,841	1,355	257 %
Net Earnings	\$ 3,691	\$ 716	416 %	\$ 9,559	\$ 2,630	263 %
Earnings per share:						
Basic:						
Continuing Operations	\$ 0.10	\$ 0.02	400 %	\$ 0.23	\$ 0.06	283 %
Discontinued Operations	0.08	0.02	300 %	0.24	0.07	243 %
Basic earnings per share	\$ 0.18	\$ 0.04	350 %	\$ 0.47	\$ 0.13	262 %
Diluted:						
Continuing Operations	\$ 0.10	\$ 0.02	400 %	\$ 0.23	\$ 0.06	283 %
Discontinued Operations	0.08	0.02	300 %	0.24	0.07	243 %
Diluted earnings per share	\$ 0.18	\$ 0.04	350 %	\$ 0.47	\$ 0.13	262 %

Net Sales

The Company's total net sales from continuing operations worldwide in the 13 weeks ended November 25, 2018 increased to \$12.9 million from \$10.2 million in the 13 weeks ended November 26, 2017. The Company's total net sales from continuing operations worldwide in the 39 weeks ended November 25, 2018 increased to \$34.5 million from \$30.3 million in the 39 weeks ended November 26, 2017. The increase in sales was due to the ramping up of programs on which the Company's materials are qualified.

Gross Profit

The Company's gross profit from continuing operations in the 13 weeks ended November 25, 2018 was higher than its gross profit from continuing operations in the prior year's comparable period, and the gross profit from continuing operations as a percentage of sales for the Company's worldwide operations in the 13 weeks ended November 25, 2018 increased to 33.3% from 29.0% in the 13 weeks ended November 26, 2017. The Company's gross profit from continuing operations in the 39 weeks ended November 25, 2018 was higher than its gross profit from continuing operations in the prior year's comparable period, and the gross profit from continuing operations as a percentage of sales for the Company's worldwide operations in the 39 weeks ended November 25, 2018 increased to 29.8% from 27.9% in the 39 weeks ended November 26, 2017. The higher gross profit margins from continuing operations for the 13 weeks and 39 weeks ended November 25, 2018 compared to the 13 weeks and 39 weeks ended November 26, 2017 were principally a result of higher sales, reduced salaried headcount, primarily through attrition, and the partially fixed nature of overhead expenses in the 13 weeks and 39 weeks ended November 25, 2018 compared to the 13 weeks and 39 weeks ended November 26, 2017.

Selling, General and Administrative Expenses

Selling, general and administrative expenses from continuing operations decreased by \$526,000 during the 13 weeks ended November 25, 2018, or by 21%, and decreased by \$989,000 during the 39 weeks ended November 25, 2018, or by 14%, compared to last fiscal year's comparable periods, and these expenses, measured as percentages of sales from continuing operations, were 15.4% and 18.0%, respectively, in the 13 weeks and 39 weeks ended November 25, 2018 compared to 24.5% and 23.7%, respectively, in the 13 weeks and 39 weeks ended November 26, 2017. The decreases in such expenses during the 13 weeks and 39 weeks ended November 25, 2018 were primarily the result of lower payroll, travel and entertainment and stock option expenses.

Selling, general and administrative expenses from continuing operations included stock option expenses of \$194,000 and \$594,000, respectively, for the 13 weeks and 39 weeks ended November 25, 2018, compared to stock option expenses of \$234,000 and \$709,000, respectively, for the 13 weeks and 39 weeks ended November 26, 2017.

Earnings from Continuing Operations

For the reasons set forth above, the Company's earnings from continuing operations were \$2.3 million and \$4.1 million, respectively, for the 13 weeks and 39 weeks ended November 25, 2018 compared to \$0.5 million and \$1.3 million, respectively, for the 13 weeks and 39 weeks ended November 26, 2017.

Interest Expense

Interest expense in the 13 weeks and 39 weeks ended November 26, 2017 related to the Company's borrowings under the three-year revolving credit facility agreement that the Company entered into with HSBC Bank in the fourth quarter of the 2017 fiscal year. The agreement provided for an interest rate on the outstanding loan balance of LIBOR plus 1.15% to 2.65%. Other interest rate options were available to the Company under the agreement. On January 3, 2018, the Company voluntarily prepaid the remaining loan balance of \$68.5 million. See "Liquidity and Capital Resources" elsewhere in this Item 2 and Note 5 of the Notes to Consolidated Financial Statements elsewhere in this Report for additional information.

Interest and Other Income

Interest and other income from continuing operations was \$393,000 and \$1.1 million, respectively, for the 13 weeks and 39 weeks ended November 25, 2018, compared to \$734,000 and \$2.2 million, respectively, for last fiscal year's comparable periods. Interest income decreased 46% and 51%, respectively, for the 13 weeks and 39 weeks ended November 25, 2018 primarily as a result of lower average balances of marketable securities held by the Company in the 13 weeks and 39 weeks ended November 25, 2018, compared to last fiscal year's comparable periods, partially offset by higher weighted average interest rates. During the 39 weeks ended November 25, 2018, the Company earned interest income principally from its investments, which consisted primarily of short-term instruments and money market funds.

Income Tax Provision

The Company's effective income tax rates from continuing operations for the 13 weeks and 39 weeks ended November 25, 2018 were 22.9% and 8.8%, respectively, compared to 31.3% and 25.6%, respectively, for the 13 weeks and 39 weeks ended November 26, 2017. Tax rates during fiscal year 2019 benefitted from lower U.S. federal tax rates pertaining to the Tax Cuts and Jobs Act enacted in December 2017. The low effective income tax rate in the 2019 fiscal year 39-week period was due to a tax benefit of \$788,000 related to clarifying regulations pertaining to the Tax Cuts and Jobs Act enacted in December 2017.

Net Earnings from Continuing Operations

For the reasons set forth above, the Company's net earnings from continuing operations for the 13 weeks and 39 weeks ended November 25, 2018 were \$2.1 million and \$4.7 million, respectively, compared to net earnings of \$344,000 and \$1.3 million, respectively, for the 13 weeks and 39 weeks ended November 26, 2017.

Discontinued Operations

On July 25, 2018, the Company entered into a definitive agreement to sell its Electronics Business for \$145.0 million in cash. The Company completed this transaction on December 4, 2018.

The operating results of the Electronics Business are classified, together with certain costs related to the transaction, as discontinued operations, net of tax, in the Consolidated Statements of Operations.

The Company's net earnings from discontinued operations were higher in the 13 weeks ended November 25, 2018 compared to the 13 weeks ended November 26, 2017 primarily as a result of lower restructuring charges and a gain of \$2,945 realized on the sale of its New England Laminates Co., Inc. facility located in Newburgh, New York. The Company's net earnings from discontinued operations were higher in the 39-week period ended November 25, 2018 than in last fiscal year's comparable period, primarily as a result of lower restructuring charges and higher sales, compared to last year's comparable period, and a one-time litigation expense of \$375,000 in the 39-week period ended November 26, 2017.

During the 2018 fiscal year, the Company consolidated its Nelco Products, Inc. Electronics Business Unit located in Fullerton, California and its Neltec, Inc. Electronics Business Unit located in Tempe, Arizona. The restructuring expenses were \$61,000 and \$231,000 during the 13-week and 39-week periods ended November 25, 2018, respectively, and \$360,000 and \$4.4 million during the 13-week and 39-week periods ended November 26, 2017, respectively.

Basic and Diluted Earnings Per Share

In the 13 weeks and 39 weeks ended November 25, 2018, basic and diluted earnings per share from continuing operations were \$0.10 and \$0.23, respectively, including, in both such periods, the tax benefit described above. This compared to basic and diluted earnings per share from continuing operations of \$0.02 and \$0.06 in the 13 weeks and 39 weeks ended November 26, 2017, respectively. The net impact of the tax benefit described above increased basic and diluted earnings per share by \$0.04 the 39 weeks ended November 25, 2018.

Liquidity and Capital Resources - Continuing Operations:

(amounts in thousands)	November 25, 2018	February 25, 2018	Change
Cash and cash equivalents and marketable securities	\$ 112,386	\$ 108,231	\$ 4,155
Working capital	119,621	116,317	3,304

(amounts in thousands)	39 Weeks Ended		
	November 25, 2018	November 26, 2017	Change
Net cash provided by operating activities	\$ 5,225	\$ 3,432	\$ 1,793
Net cash used in investing activities	(5,432)	(67,869)	62,437
Net cash used in financing activities	(5,415)	(8,782)	3,367

Cash and Marketable Securities

Of the \$112.4 million of cash and cash equivalents and marketable securities at November 25, 2018, \$3.7 million was owned by certain of the Company's wholly owned foreign subsidiaries.

The change in cash and cash equivalents and marketable securities at November 25, 2018 compared to February 25, 2018 was the result of cash used in operating activities and a number of additional factors. The significant changes in cash flows from operating activities were as follows:

accounts receivable decreased by 16% at November 25, 2018 compared to February 25, 2018 primarily due to a decrease in days outstanding in the quarter ended November 25, 2018 compared to the fourth quarter of the 2018 fiscal year;

inventories increased by 16% at November 25, 2018 compared to February 25, 2018 primarily due to higher sales compared to the fourth quarter of the 2018 fiscal year and higher projected sales in the fourth quarter of the 2019 fiscal year;

Edgar Filing: PARK ELECTROCHEMICAL CORP - Form 10-Q

accounts payable decreased by 6% at November 25, 2018 compared to February 25, 2018 primarily due to the timing of vendor payments and raw material purchases from suppliers;

accrued liabilities increased by 43% at November 25, 2018 compared to February 25, 2018 primarily due to increases in travel and entertainment and shutdown accruals offset by lower professional fee accruals; and

income taxes payable decreased by 8% at November 25, 2018 compared to February 25, 2018 primarily due to income tax payments made during the 39 weeks ended November 25, 2018.

In addition, the Company paid \$6.1 million in cash dividends in each of the 39-week periods ended November 25, 2018 and November 26, 2017.

Working Capital

The decrease in working capital at November 25, 2018 compared to February 25, 2018 was due principally to the decrease in accounts receivable, partially offset by the increase in inventories and the decrease in accounts payable.

The Company's current ratio (the ratio of current assets to current liabilities) was 26.4 to 1.0 at November 25, 2018 compared to 28.0 to 1.0 at February 25, 2018.

Cash Flows

During the 39 weeks ended November 25, 2018, the Company's net earnings, before depreciation and amortization, stock-based compensation, amortization of bond premium and changes in operating assets and liabilities, were \$5.2 million. During the same 39-week period, the Company expended \$399,000 for the purchase of property, plant and equipment, compared with \$428,000 during the 39 weeks ended November 26, 2017. The Company paid \$6.1 million in cash dividends in each of the 39-week periods ended November 25, 2018 and November 26, 2017.

Other Liquidity Factors

The Company believes its financial resources will be sufficient, through the 12 months following the filing of this Form 10-Q Quarterly Report and for the foreseeable future thereafter, to provide for continued investment in working capital and property, plant and equipment and for general corporate purposes. The Company's financial resources are also available for purchases of the Company's common stock, appropriate acquisitions and other expansions of the Company's business including the recently announced expansion in Kansas.

The Company is not aware of any circumstances or events that are reasonably likely to occur that could materially affect its liquidity.

Liquidity and Capital Resources - Discontinued Operations:

(amounts in thousands)

	November 25, 2018	February 25, 2018	Change
Cash and cash equivalents and marketable securities	\$ -	\$ -	\$ -
Working capital	13,599	12,724	875

(amounts in thousands)	39 Weeks Ended		
	November 25, 2018	November 26, 2017	Change
Net cash provided by operating activities	\$5,731	\$ 1,547	\$4,184
Net cash used in investing activities	(158)	(275)	117
Net cash used in financing activities	-	-	-

Working Capital

The increase in working capital at November 25, 2018 compared to February 25, 2018 was due principally to the increase in inventory levels.

The Company's current ratio (the ratio of current assets to current liabilities) was 2.4 to 1.0 at November 25, 2018 compared to 2.6 to 1.0 at February 25, 2018.

Cash Flows

During the 39 weeks ended November 25, 2018, the Company's net earnings, before depreciation and amortization, stock-based compensation, amortization of bond premium and changes in operating assets and liabilities, were \$5.7 million. During the same 39-week period, the Company expended \$158,000 for the purchase of property, plant and equipment, compared with \$275,000 during the 39 weeks ended November 26, 2017.

Contractual Obligations:

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of (i) operating lease commitments and (ii) commitments to purchase raw materials. The Company has no other long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in the total amount of \$980,000 to secure the Company's obligations under its workers' compensation insurance program.

Off-Balance Sheet Arrangements:

The Company's liquidity is not dependent on the use of, and the Company is not engaged in, any off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities.

Critical Accounting Policies and Estimates:

The foregoing Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these Consolidated Financial Statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent liabilities as well as the reporting

requirements of continuing and discontinued operations. On an ongoing basis, the Company evaluates its estimates, including those related to sales allowances, allowances for doubtful accounts, inventories, valuation of long-lived assets, income taxes, contingencies and litigation, and employee benefit programs. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company's critical accounting policies that are important to the Consolidated Financial Statements and that entail, to a significant extent, the use of estimates and assumptions and the application of management's judgment are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", in the Company's Annual Report on Form 10-K for the fiscal year ended February 25, 2018. There have been no significant changes to such accounting policies during the 2019 fiscal year third quarter.

In May 2014, the FASB issued Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. The new standard was originally scheduled to be effective for fiscal years beginning after December 15, 2017, including interim reporting periods within those fiscal years. In August 2015, the FASB delayed the effective date of this guidance for one year. With the delay, the new standard is effective for fiscal years beginning after December 15, 2018 and the interim periods within those fiscal years, with an option to adopt the standard on the originally scheduled effective date. The Company has adopted the guidance effective February 26, 2018, the first day of the 2019 fiscal year, and the adoption of this guidance did not impact its consolidated results of operations, cash flows, financial position or disclosures.

Contingencies:

The Company is subject to a number of proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

Factors That May Affect Future Results.

Certain portions of this Report which do not relate to historical financial information may be deemed to constitute forward-looking statements that are subject to various factors which could cause actual results to differ materially from the Company’s expectations or from results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements. Such factors include, but are not limited to, general conditions in the electronics and aerospace industries, the Company’s competitive position, the status of the Company’s relationships with its customers, economic conditions in international markets, the cost and availability of raw materials, transportation and utilities, and the various factors set forth under the caption “Factors That May Affect Future Results” in Item 1 and in Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended February 25, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's market risk exposure at November 25, 2018 is consistent with, and not greater than, the types of market risk and amount of exposures presented in the Annual Report on Form 10-K for the fiscal year ended February 25, 2018.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of November 25, 2018, the end of the quarterly fiscal period covered by this quarterly report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting.

Except for the implementation of certain internal controls related to the presentation of discontinued operations, there has not been any change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes in the risk factors as previously disclosed in the Company's Form 10-K Annual Report for the fiscal year ended February 25, 2018.

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

The following table provides information with respect to shares of the Company's Common Stock acquired by the Company during each month included in the Company's 2019 fiscal year third quarter ended November 25, 2018.

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
--------	---	--	---	---

August 27 - September 25	0	\$	-	0	
September 26 - October 25	0	\$	-	0	
October 26 - November 25	0	\$	-	0	
Total	0	\$	-	0	1,531,412 (a)

(a) Aggregate number of shares available to be purchased by the Company pursuant to share purchase authorizations announced on January 8, 2015 and March 10, 2016. Pursuant to such authorizations, the Company is authorized to purchase its shares from time to time on the open market or in privately negotiated transactions.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1 Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).

31.2 Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).

32.1 Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended November 25, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at November 25, 2018 (unaudited) and February 25, 2018; (ii) Consolidated Statements of Operations for 101 the 13 weeks and 39 weeks ended November 25, 2018 and November 26, 2017 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings (Loss) for the 13 weeks and 39 weeks ended November 25, 2018 and November 26, 2017 (unaudited); and (iv) Condensed Consolidated Statements of Cash Flows for the 39 weeks ended November 25, 2018 and November 26, 2017 (unaudited). * +

* Filed electronically herewith.

+ Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Park Electrochemical Corp.
(Registrant)

/s/ Brian E. Shore
Brian E. Shore

Date: January 4, 2019 Chief Executive Officer

(principal executive officer)

/s/ P. Matthew Farabaugh
P. Matthew Farabaugh

Senior Vice President and
Chief Financial Officer

Date: January 4, 2019

(principal financial officer)

(principal accounting
officer)

EXHIBIT INDEX

**Exhibit
No. Name**

- 31.1 Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- 31.2 Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- 32.1 Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended November 25, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at November 25, 2018 (unaudited) and February 25, 2018; (ii) Consolidated Statements of Operations for the 13 weeks and 39 weeks ended November 25, 2018 and November 26, 2017 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings (Loss) for the 13 weeks and 39 weeks ended November 25, 2018 and November 26, 2017 (unaudited); and (iv) Condensed Consolidated Statements of Cash Flows for the 39 weeks ended November 25, 2018 and November 26, 2017 (unaudited). * +

* Filed electronically herewith.

+ Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.