

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

-----

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

For the quarterly period ended March 31, 1997

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: 0-11676

BEL FUSE INC.

-----  
(Exact name of registrant as specified in its charter)

New Jersey

22-1463699

-----  
(State or other jurisdiction of incorporation or organization)

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

198 Van Vorst Street  
Jersey City, New Jersey 07302  
(Address of principal executive offices)  
(Zip Code)

201-432-0463  
(Registrant's telephone number, including area code)

-----  
(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 [X]                      No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At May 1, 1997, there were 5,073,195 shares of Common Stock, \$.10 par value, outstanding.

BEL FUSE INC.

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PART I. Financial Information

Item 1. Financial Statements

Certain information and footnote disclosures required under generally accepted accounting principles have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. It is suggested that the following consolidated financial statements be read in conjunction with the year-end consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

The results of operations for the three month period ended March 31, 1997, are not necessarily indicative of the results to be expected for the entire fiscal year or for any other period.

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS

|   | March 31,<br>1997<br>-----<br>(unaudited) | December 31,<br>1996<br>----- |
|---|---|-------------------------------|
| Current Assets:   |   |                               |
| Cash and cash equivalents .....   | \$21,947,633                              | \$23,498,491                  |
| Marketable securities .....   | 4,347,610                                 | 2,981,020                     |
| Accounts receivable, less allowance<br>for doubtful accounts of \$195,000 ..... | 8,431,920                                 | 8,866,440                     |
| Inventories .....   | 9,814,403                                 | 8,411,540                     |
| Prepaid expenses and other current<br>assets .....                              | 533,298                                   | 479,012                       |
| Deferred income taxes .....   | 101,000                                   | 101,000                       |
|   | -----                                     | -----                         |
| Total Current Assets .....  | 45,175,864                                | 44,337,503                    |
| Property, plant and equipment - net .....                                       | 26,820,507                                | 26,321,014                    |
| Other assets .....  | 842,073                                   | 955,491                       |
|   | -----                                     | -----                         |
| TOTAL ASSETS .....  | \$72,838,444<br>=====                     | \$71,614,008<br>=====         |

(Continued)

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

|   | March 31,<br>1997 | December 31,<br>1996 |
|---|-------------------|----------------------|
|   | -----             | -----                |
|   | (unaudited)       |                      |
| Current Liabilities:  |                   |                      |
| Accounts payable  | \$ 2,738,651      | \$ 3,297,825         |
| Accrued expenses  | 4,099,313         | 3,846,626            |
| Income taxes payable  | 448,858           | 320,460              |
|   | -----             | -----                |
| Total Current Liabilities   | 7,286,822         | 7,464,911            |
| Deferred income taxes   | 812,000           | 750,000              |
|   | -----             | -----                |
| Total Liabilities   | 8,098,822         | 8,214,911            |
|   | -----             | -----                |
| Stockholders' Equity:   |                   |                      |
| Preferred stock, no par value --<br>authorized 1,000,000 shares;<br>none issued   | --                | --                   |
| Common stock, par value \$.10 per<br>share - authorized 10,000,000<br>shares; outstanding 5,073,195 and<br>5,070,820 shares | 507,320           | 507,082              |
| Additional paid-in capital  | 6,994,412         | 6,978,900            |
| Retained earnings   | 57,230,695        | 55,920,836           |
| Cumulative currency translation<br>adjustment   | 7,195             | (7,721)              |
|   | -----             | -----                |
| Total Stockholders' Equity  | 64,739,622        | 63,399,097           |
|   | -----             | -----                |
| TOTAL LIABILITIES AND STOCKHOLDERS'<br>EQUITY   | \$72,838,444      | \$71,614,008         |
|   | =====             | =====                |

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

|   | Three Months Ended          |                     |
|---|-----------------------------|---------------------|
|   | -----<br>March 31,<br>----- |                     |
|   | 1997                        | 1996                |
| Sales .....   | \$15,962,204                | \$17,262,328        |
| Costs and Expenses:   |                             |                     |
| Cost of sales .....   | 11,370,115                  | 12,040,350          |
| Selling, general and administrative<br>expenses .....         | 3,093,309                   | 2,794,291           |
|   | -----<br>14,463,424         | -----<br>14,834,641 |
| Income from operations .....                                  | 1,498,780                   | 2,427,687           |
| Other income -- net .....                                     | 340,079                     | 166,222             |
|   | -----                       | -----               |
| Earnings before income taxes .....                            | 1,838,859                   | 2,593,909           |
| Income tax provision .....                                    | 529,000                     | 361,000             |
|   | -----                       | -----               |
| Net earnings .....  | \$ 1,309,859                | \$ 2,232,909        |
|   | =====                       | =====               |
| <br>  |                             |                     |
| Earnings per common share .....                               | \$.26                       | \$.44               |
|   | ===                         | ===                 |
| <br>  |                             |                     |
| Weighted average number of common<br>shares outstanding ..... | 5,072,094                   | 5,051,857           |
|   | =====                       | =====               |

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

|   | Three Months Ended |              |
|---|--------------------|--------------|
|   | March 31,          |              |
|   | 1997               | 1996         |
| Cash flows from operating activities:   |                    |              |
| Net income .....  | \$ 1,309,859       | \$ 2,232,909 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |              |
| Depreciation and amortization .....   | 775,307            | 763,745      |
| Deferred income taxes .....   | 62,000             | 104,000      |
| Net loss on sale of marketable securities .....                                   | --                 | 888          |
| Changes in operating assets and liabilities .....                                 | (1,133,907)        | 633,300      |
| Net Cash Provided by Operating Activities .....                                   | 1,013,259          | 3,734,842    |
| Cash flows from investing activities:   |                    |              |
| Purchase of property, plant and equipment .....                                   | (1,269,628)        | (465,383)    |
| Purchase of marketable securities .....   | (2,000,000)        | -            |
| Proceeds from sale of marketable securities .....                                 | 633,410            | 400,000      |
| Proceeds from repayment by contractor .....                                       | 41,445             | 14,750       |
| Net Cash (used in) Investing Activities .....                                     | (2,594,773)        | (50,633)     |
| Cash flows from financing activities:   |                    |              |
| Proceeds from exercise of stock options .....                                     | 15,750             | 24,500       |
| Effect of exchange rate changes on cash and cash equivalents .....                | 14,906             | --           |
| Net (Decrease) Increase in Cash .....   | (1,550,858)        | 3,708,709    |
| Cash and Cash Equivalents -- beginning of period .....                            | 23,498,491         | 8,343,925    |
| Cash and Cash Equivalents -- end of period .....                                  | \$21,947,633       | \$12,052,634 |

(Continued)

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Continued)  
(unaudited)

|   | Three Months Ended |              |
|---|--------------------|--------------|
|   | March 31,          |              |
|   | 1997               | 1996         |
| Changes in operating assets and liabilities consist of:       |                    |              |
| Decrease in accounts receivable .....                         | \$ 434,520         | \$ 1,189,993 |
| (Increase) decrease in inventories .....                      | (1,402,863)        | 393,124      |
| (Increase) in prepaid expenses and other current assets ..... | (95,731)           | (301,983)    |
| Decrease in other assets .....                                | 108,246            | 61,819       |
| (Decrease) in accounts payable .....                          | (559,174)          | (657,300)    |
| Increase (decrease) in accrued expenses .....                 | 252,697            | (110,824)    |
| Increase in income taxes payable .....                        | 128,398            | 58,471       |
|   | \$(1,133,907)      | \$ 633,300   |
| Supplementary information:                                    |                    |              |
| Cash paid during the period for:                              |                    |              |
| Interest .....  | \$ --              | \$ --        |
| Income taxes .....  | \$ 337,000         | \$ 184,000   |
| Supplemental disclosures of non-cash activities:              |                    |              |
| Unrealized gains on marketable securities .....               | \$ --              | \$ 223,197   |

See notes to consolidated financial statements.



BEL FUSE INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

1. The consolidated balance sheet as of March 31, 1997, and the consolidated statements of operations and cash flows for the three months ended March 31, 1997 and 1996 have been prepared by the Company and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. Certain items in the March 31, 1996 financial statements have been reclassified to conform to March 31, 1997 classifications. The information for December 31, 1996 was derived from audited financial statements.

2. Earnings Per Share - Earnings per common share are computed using the weighted average number of common shares outstanding during the period. The dilutive effect of outstanding options at March 31, 1997 and 1996 was not material.

3. Inventories consist of the following:

|                       | March 31, 1997<br>----- | December 31, 1996<br>----- |
|-----------------------|-------------------------|----------------------------|
| Raw materials .....   | \$ 6,933,550            | \$ 5,718,079               |
| Work-in-process ..... | 76,108                  | 89,660                     |
| Finished goods .....  | 2,804,745               | 2,603,801                  |
|                       | -----                   | -----                      |
|                       | \$ 9,814,403            | \$ 8,411,540               |
|                       | =====                   | =====                      |

4. Property, plant and equipment consists of the following:

|  | March 31, 1997<br>----- | December 31, 1996<br>----- |
|--|-------------------------|----------------------------|
| Land .....   | \$ 835,218              | \$ 835,218                 |
| Buildings and improvements .....                           | 13,708,175              | 13,510,703                 |
| Machinery and equipment .....                              | 33,928,159              | 32,856,003                 |
| Idle property held for sale .....                          | 935,000                 | 935,000                    |
|  | -----                   | -----                      |
|  | 49,406,552              | 48,136,924                 |
| Less accumulated<br>depreciation and<br>amortization ..... | 22,586,045              | 21,815,910                 |
|  | -----                   | -----                      |
| Net property, plant and<br>equipment .....                 | \$26,820,507            | \$26,321,014               |
|  | =====                   | =====                      |

BEL FUSE INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

5. In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share", which establishes new standards for computing and presenting net income per share and replaces the standards previously found in Accounting Principles Board Opinion No. 15, "Earnings Per Share". The Company will begin reporting net income per share according to this new standard in its 1997 annual report on Form 10K. The Company does not expect the implementation of SFAS No. 128 to have a material effect on the Company's computation of earnings per share.

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

Results of Operations

The following table sets forth, for the periods indicated, the percentage relationship to net sales of certain items included in the Company's consolidated statements of operations.

|   | Percentage of Net Sales         |        |
|---|---------------------------------|--------|
|   | Three Months Ended<br>March 31, |        |
|   | 1997                            | 1996   |
| Net sales .....                                       | 100.0%                          | 100.0% |
| Cost of sales .....                                   | 71.2                            | 69.8   |
| Selling, general and<br>administrative expenses ..... | 19.4                            | 16.2   |
| Other income, net of<br>interest expense .....        | 2.1                             | 1.0    |
| Earnings before income<br>tax provision .....         | 11.5                            | 15.0   |
| Income tax provision .....                            | 3.3                             | 2.1    |
| Net earnings .....                                    | 8.2                             | 12.9   |

The following table sets forth, for the periods indicated, the percentage increase (decrease) of items included in the Company's consolidated statements of operations.

|   | Increase (Decrease)  |
|---|--|
|   | from Prior Period  |
|   | Three Months Ended<br>March 31,<br>1997 compared with 1996 |
| Net sales .....                                       | (7.5)%   |
| Cost of sales .....                                   | (5.6)  |
| Selling, general and<br>administrative expenses ..... | 10.7   |
| Other income - net .....                              | 104.6  |
| Earnings before income tax<br>provision .....         | (29.1)   |
| Income tax provision .....                            | 46.5   |
| Net earnings .....                                    | (41.3)   |

## Sales

Net sales decreased 7.5% from \$17,262,328 during the first three months of 1996 to \$15,962,204 during the first three months of 1997. The Company attributes this decrease primarily to reduced sales of customer-specific value-added circuits and assemblies offset, in part, by sales growth in network and fuse products.

## Cost of Sales

Cost of sales as a percentage of net sales increased 1.4% from 69.8% during the first three months of 1996 to 71.2% during the first three months of 1997. The increase in the cost of sales percentage is primarily attributable to increases in direct labor due to the current sales mix which has higher direct labor associated with it offset, in part, by lower material content associated with the current sales mix.

## Selling, General and Administrative Expenses

The percentage relationship of selling, general and administrative expenses to net sales increased from 16.2% for the first three months of 1996 to 19.4% for the first three months of 1997. The Company attributes the increase primarily to increases in sales salaries and related expenses and the decrease in sales. Selling, general and administrative expenses increased in dollar amount by 10.7%. The Company attributes the increase in dollar amount of such expenses primarily to increases in sales salaries and sales related expenses.

## Other Income and Expenses

Other income, consisting of interest and dividends earned on marketable securities and on cash equivalents, increased by approximately \$174,000 from the first three months of 1996 to the first three months of 1997. The increase is primarily due to higher earnings on invested funds due to higher average balances in 1997 compared to 1996.

## Provision for Income Taxes

The provision for income taxes for the first three months of 1996 was \$361,000 as compared to \$529,000 for the first three months of 1997. This increase is due primarily to higher United States pretax earnings for the first three months of 1997 versus 1996 despite lower overall Company earnings.

The Company's effective tax rate has been lower than the statutory United States corporate rate primarily as a result of the lower tax rates in Hong Kong and Macau.

## Liquidity and Capital Resources

Historically, the Company has financed its capital expenditures through cash flows from operating activities. Management believes that the cash flow from operations, combined with its existing capital base and the Company's available lines of credit, will be sufficient to fund its operations for the near term. This statement represents a forward-looking statement. Actual results could differ materially from such statement if the Company experiences substantial unanticipated cash requirements.

The Company has lines of credit, all of which were unused at March 31, 1997, in the aggregate amount of \$7,000,000, of which \$5,000,000 is from domestic banks and \$2,000,000 is from foreign banks.

The Company has entered into an agreement to purchase an additional 3,100 square feet of manufacturing space in Hong Kong for approximately \$260,000.

During the first three months of 1997, the Company's cash and cash equivalents decreased by \$1.6 million, reflecting \$2.0 million in purchases of marketable securities and \$1.3 million in purchases of plant and equipment, offset in part by \$1.0 million provided by operating activities and \$.6 million from the sale of marketable securities.

The Company has historically followed a policy of reinvesting the earnings of foreign subsidiaries in the Far East. If the unrepatriated funds were distributed to the parent corporation, such funds would be subject to United States federal income taxes. No funds were repatriated during the first three months of 1997 or 1996.

Cash, accounts receivable and marketable securities comprised approximately 47.7% and 49.3% of the Company's total assets at March 31, 1997 and December 31, 1996, respectively. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 6.2 to 1 and 5.9 to 1 at March 31, 1997 and December 31, 1996, respectively.

This report contains forward-looking statements that involve substantial risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Risks and Uncertainties" captions in the Company's Form 10-K for the year ended December 31, 1996.

PART II. Other Information

Item 1. Legal Proceedings

See Item 3 of the Company's Form 10-K for the year ended December 31, 1996.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits: Exhibit 27.1 Financial Data Schedule.
- (b) There were no Current Reports on Form 8-K filed by the registrant during the quarter ended March 31, 1997.

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.

BEL FUSE INC.

By: /s/ DANIEL BERNSTEIN

-----  
Daniel Bernstein, President  
(Principal Financial and  
Accounting Officer)

Dated: May 13, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BEL FUSE INC. AND SUBSIDIARIES FINANCIAL STATEMENTS AT MARCH 31, 1997 AND THE THREE MONTHS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1

YEAR

|            |             |   |
|------------|-------------|---|
|            | DEC-31-1997 |   |
|            | MAR-31-1997 |   |
|            | 21,947,633  |   |
|            | 4,347,610   |   |
|            | 8,626,920   |   |
|            | 195,000     |   |
|            | 9,814,403   |   |
|            | 45,175,864  |   |
|            | 49,406,552  |   |
|            | 22,856,045  |   |
|            | 72,838,444  |   |
| 7,286,822  |             | 0 |
|            | 0           | 0 |
|            | 0           | 0 |
|            | 507,320     |   |
|            | 62,232,302  |   |
| 72,838,444 |             |   |
|            | 15,962,204  |   |
| 15,962,204 |             |   |
|            | 11,370,115  |   |
|            | 14,463,424  |   |
|            | 0           |   |
|            | 0           |   |
|            | 0           |   |
|            | 1,838,859   |   |
|            | 529,000     |   |
|            | 0           |   |
|            | 0           |   |
|            | 0           |   |
|            | 1,309,859   | 0 |
|            | .26         |   |
|            | 0           |   |