VOXX INTERNATIONAL CORP

FORM 8-K
(Current report filing)

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Address	180 MARCUS BLVD HAUPPAUGE, NY 11788
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Industry	Auto Vehicles, Parts & Service Retailers
Sector	Consumer Cyclicals
Fiscal Year	02/29

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 10, 2017

VOXX INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**0-28839**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)

13-1964841
(IRS Employer Identification No.)

2351 J Lawson Blvd., Orlando, Florida	**32824**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (800) 654-7750

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of file following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(e))

Item 2.02 Results of Operations and Financial Condition

On July 10, 2017, VOXX International Corporation (the "Company") issued a press release announcing its earnings for the three months ended May 31, 2017. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events.

On July 11, 2017, the Company held a conference call to discuss its financial results for the three months ended May 31, 2017. The Company has prepared a transcript of that conference call, a copy of which is annexed hereto as Exhibit 99.2.

The information furnished under Items 2.02 and 8.01, including Exhibits 99.1 and 99.2, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated July 10, 2017, relating to VOXX International Corporation's earnings release for the quarter ended May 31, 2017 (filed herewith).
99.2	Transcript of conference call held on July 11, 2017 at 10:00 am (filed herewith).

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.

VOXX International Corporation (Registrant)

Date: July 13, 2017

BY: /s/ Charles M. Stoehr
Charles M. Stoehr
Senior Vice President and
Chief Financial Officer

FOR IMMEDIATE RELEASE

VOXX INTERNATIONAL CORPORATION REPORTS ITS FISCAL 2018 FIRST QUARTER FINANCIAL RESULTS

HAUPPAUGE, NY - July 10, 2017 - VOXX International Corporation (NASDAQ: VOXX), today announced financial results for its Fiscal 2018 first quarter ended May 31, 2017.

Commenting on the Company's first quarter performance, Pat Lavelle, President and CEO stated, "Led by a 17.4% increase in Premium Audio sales, we posted modest top-line growth. However, gross margins came in lower in this segment, as we had several promotions to clear inventory with a number of new product launches planned. We expect margins to improve in the second quarter and return to normal throughout the year. New products and partnerships within our Automotive and Consumer Accessories segments, new products coming to market in Premium Audio, and the launch of our new EVO-based rear-seat infotainment solution, scheduled for the second and third quarters, should improve top-line outlook."

Lavelle continued, "The news of our pending sale of Hirschmann dominated the quarters' activity. While Hirschmann has been a great contributor to our business and has industry-leading technology, we believe the opportunity to sell at the proposed value is a benefit for our shareholders. Upon completion, we will have a clean balance sheet, lower working capital needs and we expect, greater cash flow. VOXX will continue to operate in the Automotive segment, with significant OEM production capabilities, a number of contracts in place, and an expanded assortment of aftermarket products. This transaction will give us a greater concentration of business in North America and enable us to leverage synergies within our footprint, especially as we seek complementary acquisitions, to drive better returns."

First Quarter Performance (for the periods ended May 31, 2017 and May 31, 2016)

Net sales for the Fiscal 2018 first quarter were $159.1 million, an increase of $3.6 million or 2.3% as compared to $155.5 million reported in the comparable year-ago period.

- Automotive segment sales were $81.3 million as compared to $81.4 million. Automotive segment sales were positively influenced by an increase in domestic OEM sales, new sales related to the Company's acquisition of Rosen Electronics, higher aftermarket sales for overhead and headrest DVD systems and higher tuner and antenna sales internationally. Offsetting these increases were lower sales of satellite radio products, and lower sales related to its international OEM manufacturing line.
- Premium Audio segment sales were $37.7 million as compared to $32.1 million, an increase of $5.6 million or 17.4%. Driving the year-over-year increase were higher sales of HD wireless speakers, wireless sound bars, multi-room streaming audio systems, and home entertainment speakers, partially offset by lower sales of commercial speakers.
- Consumer Accessories segment sales were $39.9 million as compared to $41.7 million, a decline of $1.8 million or 4.2%. The Consumer Accessories segment experienced higher international sales, primarily due to digital broadcasting platform upgrades in Europe, as well as higher sales of its Project Nursery product line and wireless speakers. Offsetting these increases were lower sales of reception and power products, action cameras and other product lines.

The gross margin for the Fiscal 2018 first quarter came in at 27.5% as compared to 29.7% for the same period last year, a decrease of 220 basis points.

- Automotive segment margins of 29.4% declined by 60 basis points. The Company experienced higher margins related to an increase in sales of higher margin products within its OEM manufacturing lines and decreased sales of lower margin fulfillment products, such as satellite radio, offset by lower margins associated with tuner and antenna products due to price reductions on certain products.
- Premium Audio segment margins of 27.0% declined by 760 basis points. This was primarily a result of heavy promotions of older sound bar models that the Company is phasing out to make way for a new line of products, many of which will be introduced this Fiscal year, as well as lower margins associated with some of the newer wireless sound bars and speakers. As an offset, the segment experienced an increase in sales of certain higher margin products, such as home entertainment speakers.
- Consumer Accessories segment margins of 23.8% declined by 90 basis points. The year-over-year decline was primarily related to product mix. During the comparable quarters, lower sales of reception and power products negatively impacted gross margins, whereas higher sales of Project Nursery product lines, lower fulfilment sales and an improvement in the international product mix were offsetting factors.

Operating expenses for the Fiscal 2018 first quarter were $51.6 million as compared to $53.2 million in the Fiscal 2017 first quarter, a reduction of $1.6 million or 3.1%. Selling, general and administrative expenses increased by $1.2 million, primarily as a result of higher advertising expenses, higher expenses associated with system upgrades and a modest increase in salary and benefit expenses, partially offset by lower occupancy costs and professional fees. This was offset by a $2.9 million reduction in engineering and technical support expenses, which was primarily a result of lower research and development expenses, most of which were driven by timing associated with customer reimbursements for development services in both the Fiscal 2018 and Fiscal 2017 first quarters. Additionally, the Company incurred lower research and development expenses in other groups as certain products are nearing their launch dates.

The Company reported an operating loss of $7.8 million in its Fiscal 2018 first quarter as compared to an operating loss of $7.1 million in the comparable year-ago period. Net loss attributable to VOXX International Corporation was $3.0 million or a loss per basic and diluted share of $0.13, as compared to a net loss attributable to VOXX International Corporation of $4.3 million or a loss per basic and diluted share of $0.18 in the Fiscal 2017 first quarter.

The Company reported negative Earnings before interest, taxes, depreciation and amortization (“EBITDA”) of $1.3 million and negative Adjusted EBITDA of $1.1 million for the Fiscal 2018 first quarter. This compares to EBITDA of $0.1 million and Adjusted EBITDA of $0.3 million for the comparable year-ago period.

On June 25, 2017, the Company entered into a definitive agreement to sell Hirschmann Car Communication GmbH and its worldwide subsidiaries (“Hirschmann”) to a subsidiary of TE Connectivity Ltd. (NYSE: TEL). Under the terms of the Stock Purchase Agreement, TE Connectivity (“TE”) will acquire Hirschmann for an enterprise value of 148.5 million Euro. Based on the Euro to U.S. dollar conversion (1 Euro = $1.12), this equates to approximately $166.0 million. The final purchase price is subject to further net cash and working capital adjustments. VOXX International (Germany) GmbH is the selling entity in this transaction. This transaction is subject to regulatory approval and customary closing conditions and the expected close, subject to approvals, is anticipated to be on August 31, 2017.

Conference Call and Webcast Information

VOXX International will be hosting its conference call on Tuesday, July 11, 2017 at 10:00 a.m. ET. Interested parties can participate by visiting www.voxxintl.com, and clicking on the webcast in the Investor Relations section or via teleconference (toll-free number: 877-303-9079; international: 970-315-0461 / conference ID: 49503688).

Non-GAAP Measures

EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share are not financial measures recognized by GAAP. EBITDA represents net income (loss), computed in accordance with GAAP, before interest expense and bank charges, taxes, and depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted for stock-based compensation expense. Depreciation, amortization and stock-based compensation are non-cash items. Diluted Adjusted EBITDA per common share represents the Company's diluted earnings per common share based on Adjusted EBITDA.

We present EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in this Form 10-Q because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA and diluted adjusted earnings per common share help us to evaluate our performance without the effects of certain GAAP calculations that may not have a direct cash impact on our current operating performance. In addition, the exclusion of certain costs or gains relating to non-recurring events allows for a more meaningful comparison of our results from period-to-period. These non-GAAP measures, as we define them, are not necessarily comparable to similarly entitled measures of other companies and may not be an appropriate measure for performance relative to other companies. EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share should not be assessed in isolation from, are not intended to represent, and should not be considered to be more meaningful measures than, or alternatives to, measures of operating performance as determined in accordance with GAAP.

About VOXX International Corporation

VOXX International Corporation (NASDAQ: VOXX) has grown into a worldwide leader in Automotive, Consumer Electronics, Consumer Accessories and Premium Audio. Today, the Company has an extensive distribution network that includes power retailers, mass merchandisers, 12-volt specialists and most of the world's leading automotive manufacturers. The Company has an international footprint in Europe, Asia, Mexico and South America, and a growing portfolio, which now comprises over 30 trusted brands. Among the Company's brands are Klipsch®, RCA®, Invision®, Jensen®, Audiovox®, Terk®, Acoustic Research®, Advent®, Code Alarm®, Car Connection®, 808®, AR for Her®, Prestige®, EyeLock, Hirschmann Car Communication®, Jamo®, Energy®, Mirage®, Mac Audio®, Magnat®, Heco®, Schwaiger®, Oehlbach®, and Incaar™. For additional information, please visit our Web site at www.voxxintl.com .

Safe Harbor Statement

Except for historical information contained herein, statements made in this release that would constitute forward-looking statements may involve certain risks and uncertainties. All forward-looking statements made in this release are based on currently available information and the Company assumes no responsibility to update any such forward-looking statements. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements. The factors include, but are not limited to risks that may result from changes in the Company's business operations; our ability to keep pace with technological advances; significant competition in the automotive, premium audio and consumer accessories businesses; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions; foreign currency fluctuations and concerns regarding the European debt crisis; restrictive debt covenants; the possibility that the review of our prior filings by the SEC may result in changes to our financial statements; and the possibility that stockholders or regulatory authorities may initiate proceedings against VOXX International Corporation and/or our officers and directors as a result of any restatements. Risk factors associated with our business, including some of the facts set forth herein, are detailed in the Company's Form 10-K for the fiscal year ended February 28, 2017.

Company Contact :

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GW Communications
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- Tables to Follow -

VOXX International Corporation and Subsidiaries
Consolidated Balance Sheets *(In thousands, except share and per share data)*

	May 31, 2017	February 28, 2017
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 8,060	$ 7,800
Accounts receivable, net	89,888	90,641
Inventory, net	165,409	153,053
Receivables from vendors	831	665
Prepaid expenses and other current assets	29,181	19,593
Income tax receivable	1,682	1,596
Total current assets	295,051	273,348
Investment securities	9,748	10,388
Equity investments	21,216	21,926
Property, plant and equipment, net	85,182	81,601
Goodwill	105,799	103,212
Intangible assets, net	175,732	176,289
Deferred income taxes	23	23
Other assets	1,624	1,699
Total assets	$ 694,375	$ 668,486
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 71,669	$ 61,143
Accrued expenses and other current liabilities	54,924	42,476
Income taxes payable	1,369	3,077
Accrued sales incentives	12,078	13,154
Current portion of long-term debt	10,420	10,217
Total current liabilities	150,460	130,067
Long-term debt, net of debt issuance costs	102,296	97,747
Capital lease obligation	2,792	1,400
Deferred compensation	3,868	4,224
Deferred income tax liabilities	27,773	30,155
Other tax liabilities	3,244	3,194
Other long-term liabilities	10,946	10,384
Total liabilities	301,379	277,171
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: No shares issued or outstanding	—	—
Common stock:		
Class A, $.01 par value, 60,000,000 shares authorized, 24,067,444 shares issued and 21,899,370 shares outstanding at both May 31, 2017 and February 28, 2017	256	256
Class B Convertible, $.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	295,734	295,432
Retained earnings	156,338	159,369
Accumulated other comprehensive loss	(37,715)	(43,898)
Treasury stock, at cost, 2,168,074 shares of Class A Common Stock at both May 31, 2017 and February 28, 2017	(21,176)	(21,176)
Total Voxx International Corporation stockholders' equity	393,459	390,005
Non-controlling interest	(463)	1,310
Total stockholders' equity	392,996	391,315
Total liabilities and stockholders' equity	$ 694,375	$ 668,486

VOXX International Corporation and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016
Net sales	$ 159,103	$ 155,456
Cost of sales	115,364	109,355
Gross profit	43,739	46,101
Operating expenses:		
Selling	13,792	12,664
General and administrative	27,192	27,071
Engineering and technical support	10,594	13,479
Total operating expenses	51,578	53,214
Operating loss	(7,839)	(7,113)
Other income (expense):		
Interest and bank charges	(1,913)	(1,695)
Equity in income of equity investees	1,803	1,808
Other, net	(1,020)	(512)
Total other expense, net	(1,130)	(399)
Loss before income taxes	(8,969)	(7,512)
Income tax benefit	(4,063)	(1,392)
Net loss	(4,906)	(6,120)
Less: net loss attributable to non-controlling interest	(1,875)	(1,812)
Net loss attributable to Voxx International Corporation	$ (3,031)	$ (4,308)
Other comprehensive income (loss):		
Foreign currency translation adjustments	7,359	4,196
Derivatives designated for hedging	(1,052)	(491)
Pension plan adjustments	(120)	(58)
Unrealized holding loss on available-for-sale investment securities, net of tax	(4)	(5)
Other comprehensive income, net of tax	6,183	3,642
Comprehensive income (loss) attributable to Voxx International Corporation	$ 3,152	$ (666)
Net loss per common share attributable to Voxx International Corporation (basic)	$ (0.13)	$ (0.18)
Net loss per common share attributable to Voxx International Corporation (diluted)	$ (0.13)	$ (0.18)
Weighted-average common shares outstanding (basic)	24,160,324	24,160,324
Weighted-average common shares outstanding (diluted)	24,160,324	24,160,324

Reconciliation of GAAP Net Income (Loss) to

EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per Common Share

	Three Months Ended May 31,	
	2017	**2016**
Net income attributable to Voxx International Corporation	$ (3,031)	$ (4,308)
Adjustments:		
Interest expense and bank charges (1)	1,676	1,588
Depreciation and amortization (1)	4,137	4,243
Income tax benefit	(4,063)	(1,392)
EBITDA	(1,281)	131
Stock-based compensation	142	175
Adjusted EBITDA	$ (1,139)	$ 306
Diluted income per common share	$ (0.13)	$ (0.18)
Diluted Adjusted EBITDA per common share	$ (0.05)	$ 0.01

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense and bank charges, as well as depreciation and amortization have been adjusted in order to exclude the non-controlling interest portion of these expenses attributable to EyeLock LLC.

VOXX (2018 Q1 Results)

July 11, 2017

Corporate Speakers:

- Glenn Wiener; VOXX; IR
- Patrick Lavelle; VOXX; President and CEO
- Michael Stoehr; VOXX; SVP

Participants:

- James Medvedeff; Cowen and Company; Analyst
- Austin Lee; Nebula Capital; Analyst
- Unidentified Participant;;

PRESENTATION

Operator: Good day, ladies and gentlemen, and welcome to the VOXX Fiscal 2018 First Quarter Results Conference Call.

(Operator Instructions)

As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Glenn Wiener, Investor Relations. You may begin.

Glenn Wiener: Welcome to VOXX International's Fiscal 2018 First Quarter Results Conference Call. Our call today is being webcast on our website, www.voxxintl.com, and a replay will be available for those who are unable to make today's call. Speaking from management this morning will be Pat Lavelle, President and Chief Executive Officer and Michael Stoehr, Senior Vice President and our Chief Financial Officer.

Following their prepared remarks, we'll have a Q&A session for those investors wishing to ask questions.

Before we begin, I'd like to remind everyone that except for historical information contained herein, statements made on today's call and webcast that would constitute forward-looking statements are based on currently available information.

The company assumes no responsibility to update any such forward-looking statements and risk factors associated with our business are detailed in our Form 10-K for the period ended February 28, 2017. At this time, I'd like to turn the call over to our President and CEO, Pat Lavelle. Pat?

Patrick Lavelle: Thank you, Glenn, and good morning, everyone. I'll begin today with a discussion around our pending sale of Hirschmann, an exciting development we announced just a few weeks ago. Mike will then cover our Q1 results and our balance sheet, and then I'll provide more color around our segments. It's been quite busy at VOXX and we believe we're taking all the right steps to unlock value and position the company for the future. Starting with Hirschmann -- we acquired Hirschmann in 2012 for EUR87.6 million, which at that time was equivalent to $114. 4 million. As you saw from our announcement just a few weeks ago, we signed a definitive agreement to sell Hirschmann to a subsidiary of TE Connectivity, EUR148.5 million or approximately USD 167. 5 million, and this would be subject to net cash and working capital adjustments.

The deal has not closed at this point so there are limitations in what we can disclose, but I'll do discuss the rationale behind the sale, the impact to VOXX and why we believe this is a good deal for our company and our shareholders. Hirschmann has been around for over 90 years. They have exceptional technology, great customers and during our ownership, have developed a strong pipeline for tuner and antenna contracts. They have a great business and our other OEM operations have benefited from working with their team and collaborating on future technologies. While we believe Hirschmann has a bright future, there were several reasons behind the proposed sale. First, the capital needed to ensure they remain at the forefront of technology. Specifically, the R&D component is immense. We spent over $16 million in engineering and R&D expenses and over $49 million in total operating expenses last fiscal year.

As a VOXX holding and based on the contract flow we are working on, we expect this to increase in the coming years. Second, while they are profitable and have grown since we acquired them, the cash we have received from operations has not been high. The only cash is the interest on the indebtedness to VOXX. Third, the financial benefit to our balance sheet. As of fiscal 2017 year-end, we had approximately $111 million in total debt and long-term debt of just under $98 million. With this proposed sale, we expect net proceeds to be approximately $160 million, which means we'll be in a position to pay down our debt entirely of cash on hand and full access to our banking facilities.

Additionally, the savings on interest payments will enable us to significantly reduce the loss of profitability associated with Hirschmann. And fourth, we maintain a strong position within Automotive. We are only selling the business that we acquired back in 2012, which includes Hirschmann's antenna, smart antenna, multi-digital tuner and commercial asset-tracking business.

We retain all of our other OEM operations and our automotive aftermarket business, rear-seat infotainment where we enjoy the market-leading position for years, car security and remote start systems and modules, app-based vehicle security solutions, keyless entry products, eFob and telematics.

We continue to sell all of these today and we have a number of OEM contracts in place with several for our new EVO-based rear-seat infotainment systems beginning this year, the first two with GM and Ford. Last fiscal year, we posted over $337 million in automotive sales and Hirschmann comprised approximately 50% of this. Lastly, use of proceeds -- as I mentioned earlier, assuming the transaction closes as planned on August 31, we will clean up our balance sheet, remove our interest payments and free up cash flow to invest in other areas of our business. We will have the resources to pursue accretive acquisitions that are complementary to our existing business line and our focus will be to acquire within the domestic market where we can leverage our existing infrastructure and generate greater cash flow. I absolutely believe Hirschmann was a great acquisition at the time we acquired them and the same holds true with this transaction. The proposed sale is at approximately 1x sales and 11. 5x EBITDA and that could improve based on adjustments upon closing and a strengthening euro.

I'm going to turn the call over to Michael now and he will review our first quarter financial results, and then I'll come back and provide more color around our performance and discuss our business model moving forward before opening the question -- or the call to questions. Mike?

Michael Stoehr: Thanks, Pat. Good morning, everyone. Net sales were up for the comparable quarter by $3. 6 million or 2. 3% and, within this, Premium Audio was the primary driver. Premium Audio sales were up $5. 6 million or 17. 4%, Automotive was essentially flat and Consumer Accessories were down $1. 8 million or 4. 2%. Our gross margins came in lower than planned, but I want to caution everyone that there were some extenuating factors that impacted margins, which we believe will be short-lived. Within Premium Audio, gross margins were down 760 basis points as we disposed of inventory that was earmarked for one retailer that filed for bankruptcy.

And we phased out older sound bar models to pave the way for new products coming to market in Q2 and the second half of the year. We expect some pressure on -- in Q2, but not at these levels, and then we expect margins to be restored. Operating expenses of $51. 6 million declined by $1. 6 million or 3. 1%. SG&A expenses increased by approximately $1. 2 million as a result of new employees at Klipsch to support growth, higher advertising fees, expenses related to implementation of a new payroll and time sheet system and a slight increase in benefits, among other factors.

This was partially offset by lower occupancy costs and lower professional fees. Engineering and tech support expenses declined by $2. 9 million. We reported an operating loss of $7. 8 million versus an operating loss of $7. 1 million in last fiscal year's first quarter and the primary reason for this year-over-year change was lower gross margins even though sales increased and expenses declined. Interest and bank charges were up modestly by approximately $200,000. There was no change in equity income from our ASA joint venture. Other net was up $500,000 over fiscal 2017 first quarter. Net loss was $4. 9 million versus a net loss of $6. 1 million in quarter one of fiscal 2017.

Net loss attributable to VOXX was $3 million or loss of $0. 13 per basic and diluted share. This compares to a net loss attributable to VOXX of $4. 3 million or a loss per basic and diluted share of $0. 18 in the comparable period last year. As for EBITDA, we reported EBITDA loss of $1. 3 million versus EBITDA of $131,000 and adjusted EBITDA was a loss of $1. 1 million versus adjusted EBITDA of $300,000 when comparing fiscal 2018 and fiscal 2017 first quarter. Moving on to the balance sheet. Our cash position as of May 31, 2017 was $8. 1 million compared to $7. 8 million as of February 28, 2017. Cash receivable, net of $89. 9 million, remain relatively flat, approximately $750,000. Accounts payable, net of $71. 7 million, increased by approximately $10. 5 million as a result of higher inventory purchases.

Inventory of $165. 4 million increased by $12. 4 million and this was principally due to a higher inventory within our Premium Audio and Consumer Accessories segments, higher inventory related to our acquisition of Rosen and an increase in Hirschmann as well. Our total debt as of May 31, 2017, less our current portion of long-term debt and less debt issuance costs, stood at $102. 3 million, an increase of $4. 5 million. Our domestic credit facility debt increased by $4. 5 million, which was the main driver, and everything else was roughly in line when comparing the periods.

You can find a breakout of our debt position in Footnote 15 of our Form 10-Q. Lastly, we are in compliance with our financial covenants and have the working capital needed to support our operations. I'll now turn the call back over to Pat. Pat?

Patrick Lavelle: Okay. Moving on to the business segments, I'll provide a little more detail around our Q1 performance and the expectations moving forward. Starting with consumer accessories -- as Mike noted, sales were down 4. 2%. Several older model categories were down year-over-year, which was expected. The good news is that we've experienced growth in wireless speakers and good growth within our 808 Audio product lines and Project Nursery. We also grew internationally as we continue to benefit from the digital broadcasting upgrade in Germany, which is boosting sales of our DVB-T2 antennas and satellite boxes. However, in the first quarter, one of our key customers changed their procurement algorithms, which negatively impacted sales in the first quarter. Essentially, they're using up in-store inventory and distribution center inventory. However, sell-through at store level this year is significantly greater than last year and we expect this will result in increased orders once this normalizes. We anticipate this to resolve itself shortly, but it has impacted the first month of Q2. Domestically, within 808, we have several new products and we'll introduce a new 808 Alexa product in the fall. We have new RCA surveillance cameras also planned for fall launch. Project Nursery is growing. We have great distribution with key baby retailers and with Best Buy. We will announce the details of our new health and fitness program when we deliver initial orders in Q3, which will have a positive impact to the second half of the year. We have seen growth in our B2B antenna sales over the past year. Programmer disputes within cable, satellite and local broadcasters have driven service providers to purchase antennas so subscribers don't miss top local events. This will result in increased antenna sales as we recently made an agreement to provide antennas to a major service provider.

And EyeLock. We're making progress and expect to see increased perimeter access sales as iris authentication becomes more commonplace within security systems. Additionally, EyeLock continues to focus on commercialization efforts for mobile and IoT devices and we expect to provide an update on our progress in the very near future.

Internationally, we are building momentum. Schwaiger and Oehlbach reported year-over-year increases in sales of digital broadcast antennas, receivers and accessories. And throughout the year, we will be adding to our portfolio and focusing on expanding the Schwaiger home automation line.

In Premium Audio, sales growth continued. In fiscal 2017, we saw a turnaround of this segment as sales were up 18. 6% last year and, in Q1 of fiscal 2018, they were up 17. 4%. Internationally, sales were up and we made strategic distribution changes in our core EMEA markets that have paid off. We also upgraded distribution in Australia and China, both of which have led to double-digit growth and a more robust forecast through the APAC region.

In the first quarter, we saw growth in sound bar sales in Germany and with our Magnat high-end audio speakers. We also launched a variety of 808 Bluetooth speakers and the Magnat entry-level sound bars. In Q2, we will be introducing a Magnat high-end amplifier and a new Mac Audio line of micro and mini-Wi-Fi systems.

Domestically, we are very pleased to report that Klipsch and our ASA joint venture have teamed up and engineered its first marine audio system under the Klipsch brand exclusively for MasterCraft. All MasterCraft boats will now include premium concert-level sound from Klipsch Audio and ASA as standard equipment. We expect that this collaboration will lead to additional opportunities for both Klipsch and ASA.

Additionally, we have seen significant growth in new stream systems, sound bars and the Heritage Wireless product line and we will be launching the new Klipsch Stream products at Magnolia Home Entertainment, which balances domestic distribution and gives Klipsch Stream a position at one of the preeminent specialty retailers in the world. We are also making progress in our Jamo redesign initiatives, similar to what we did with Klipsch roughly 18 months ago.

And with respect to automotive, I'll start with the aftermarket. For decades, we've enjoyed a very strong presence with 12-Volt specialists and automotive retailers. Though in recent years, the industry as a whole has been down. We have taken steps over the past several quarters to lessen the impact of the decline in legacy categories such as audio and, most notably, satellite radio and we have expanded our assortment and distribution.

As for the OEM business, I'm pleased to report that Hirschmann, Code, and Invision all grew in the first quarter with OEM sales up over 7. 7%. We still will report Hirschmann sales until the transaction closes and we anticipate a full quarter in Q2. When we report in October, we will provide additional details on Hirschmann's historical financials and our expectations without Hirschmann in the mix.

In closing, we have known all along that there is value in our assets despite our stock price. This is proven by the pending sale of Hirschmann. We expect to have a clean balance sheet, cash on hand and access to capital. We have a clear strategy to improve profitability and unlock value. We see areas to lower fixed expenses and we intend to pursue accretive acquisitions where we can leverage existing overhead and drive sustainable profitability and higher cash flow.

I want to thank you all for your support.

And at this time, we will open the call for questions. Operator?

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)

James Medvedeff from Cowen and Company.

James David Medvedeff: Hi good morning guys.

Unidentified Participant: Good morning James.

Unidentified participant: Morning.

James David Medvedeff: So I have a question about the high tax rate. What's driving that? Or is that just -- does that sort itself out for the rest of the year? Or how should we think about that?

Michael Stoehr: The tax rate is coming from that we have losses in the U. S. and we have profits in Europe. And when you add the two together, based upon the effect of tax rate, it comes out this quarter to be 45%. It will be bouncing around. When we get to the second quarter report, I will bring everybody current on the taxes and the tax impact of the acquisition.

James David Medvedeff: The other question that I had was, it looks like inventory took a -- I know you're clearing some inventory in premium audio, but the inventory looks quite -- actually came in a bit higher than we had expected and the turn seemed to be kind of low. Is there anything else going on with product movement? Or is this work in process or raw materials? Or what's happening in inventory?

Patrick M. Lavelle: Well, within the Premium Audio space, we did have an overhang coming in. Mike alluded to the fact that we had a customer that went bankrupt on the last month of our fourth quarter. Inventory was held back that we had to move. So we came through with a little bit heavier than we anticipated. We expect that, that inventory position will be cleared in the second quarter. Margins will start to resume.

And we expect by the beginning of our third quarter, which is our biggest quarter, we will see margins back to normal within our premium audio space. But other than the fact that we are carrying a little bit more at Hirschmann and a little bit more in accessories, getting ready for some of the launches that we have anticipated, that's the primary reason for the increase in the overhead -- in the inventory, excuse me.

James David Medvedeff: Okay. And then, thanks. And then on the P&L, so selling expenses were up and G&A was about flat and engineering and tech support were down. So the question is how should I think about those line items? Does the selling expense stay high like this for the rest of the year? Or -- and what is behind the drop in engineering and tech support?

Patrick M. Lavelle: All right. As far as the overhead, when we look at the selling expenses, we have expanded -- based on the success of Klipsch over the last year, we've expanded some advertising. We also brought on additional help because of the activity there. We may -- not may -- we will be making some adjustments to that, but I would expect that, that would run higher than last year.

In the case of our G&A, we expect it to run pretty well flat with where we were last year. And then, when we look at R&D expense and engineering expense, a lot of our programs have launched. Some of the new programs are scheduled to launch in the end of the second quarter, beginning of the third quarter. So we expect to see some lower expenses there. However, the expenses within that group is also impacted by NRE payments and NRE payments are scheduled for a particular quarter.

However, sometimes they don't come in, in that particular quarter. They fall into the next quarter and that could impact the expense line for R&D and engineering. But all in all, we expect to see a lowering of R&D expenses based on the number of new products that we introduced last year. And again, we're just coming up on the end of some of the new launches, which means the R&D is pretty much behind us in those categories.

Operator: [Austin Lee] from Nebula Capital.

Unidentified Participant: Hi. Thanks guys. Congrats on the deal with Hirschmann. I just had a few questions in regards to what do you plan to do with the cash. I guess, starting off, you said you were looking to focus on domestic acquisitions. Is there going to be any repatriation charge? What do the taxes look like on bringing that cash back here to make domestic acquisitions?

Patrick M. Lavelle: I'll let Mike answer that question.

Michael Stoehr: The way the monies will come back to us is when will be the payment of the company debt. There will be a distribution -- a dividend, which we've applied with the application so you don't get double taxed. As I said, we have -- the company has a lot of NOLs so the tax impact on this transaction will be minimal.

Unidentified Participant: Perfect. And then, along with unlevering the balance sheet, it seems like the share price for the stock is incredibly low. Obviously, with the sale of Hirschmann, we're seeing it $167 million. Currently, the market cap with a publicly-traded stock is lower than that. Have you guys considered, with bringing up your debt covenants, a buyback program at all?

Patrick M. Lavelle: At this point, we have not considered that because of the fact that we believe that a better use for the funds is certainly to look at accretive acquisitions that generate more revenue, and again, additional profitability.

When we acquire domestically, what we're seeking is to acquire a company whereby we can utilize our existing overhead, saving overhead at the acquired company and spreading overhead against our three primary domestic subsidiaries so that they also have lower overhead.

Unidentified Participant: Okay. And then, just one more question. It looks like you guys are expecting use of cash, like you said, to unlever the balance sheet. What is the estimated interest expense savings that you guys are looking at by paying off all that debt?

Patrick M. Lavelle: We anticipate it'll probably lower our interest expense by about $5 million a year.

Unidentified Participant: Perfect.

Michael Stoehr: That's also inclusive of any fees and audit fees. They come with the asset-based lump, which will be addressed.

Unidentified Participant: Okay. Thank you very much guys. That about does it for me.

Michael Stoehr: Thank you.

Operator: Thank you. And again ladies and gentlemen, to ask a question please press star and then one now. And I am showing no further questions from our phone line. Ladies and gentlemen, thank you for participating.

Patrick M. Lavelle: Okay. Thank you, all. Thank you for joining us this morning and your support of VOXX. Have a good day.

Operator: Thank you. This does conclude the program and you may all disconnect. Everyone, have a wonderful day.

Patrick M. Lavelle: Bye-bye.