2019
Annual Report

RF INDUSTRIES

Interconnect Solutions for a Connected World™

July 22, 2020

Fellow Shareholders:

Fiscal 2019 was another solid year for our company. We generated record revenue, as well as strong cash flow and net income for the fiscal year ended October 31, 2019, reflecting the continued progress we made in the second year of a major multi-year transformation of our company.

Looking at the strategic roadmap that we rolled out two years ago, we have checked every box so far. We grew sales, maintained profitability, developed and executed on plans to grow both organically and through acquisitions, and continued to add and upgrade talent. These efforts enabled us to more than double sales over the past two years from $23 million to $55 million, and through that growth we have remained profitable every quarter, even as we have invested in the business to support higher levels of sales and create a solid platform for future growth.

A key part of our growth plan has been to drive more business through distribution. During the past year we continued to build out our distribution channel by adding additional distributors to address specific market opportunities while at the same time broadening our reach with our existing distributors. As a result, we saw increased business from our distribution channels in fiscal 2019, as evidenced by the 16% year over year growth we generated in our RF Cable and Connector segment.

Another catalyst for our growth over the last two years is the increase of our Tier 1 wireless carrier business. We have developed a long-term relationship with one of the Tier 1 carriers that continues and gives us the chance to be involved with other similar customers and opportunities that we continue to pursue. As I've said before, for us the Tier-1 carrier space is generally project oriented and tied to CapEx spend, which means that the flow of purchases is somewhat lumpy with peaks and valleys. While I would have loved to see our Tier-1 wireless customer slowly spend over several years, we were instead blessed with an early spike, followed now by orders that continue to bounce around quarter-to-quarter. We see the wireless market as a significant growth driver for us, which is why we completed two acquisitions in calendar year 2019 to expand and enhance our offerings and capabilities in the space.

In May 2019, we acquired C Enterprises, a California-based manufacturer of quality connectivity solutions sold through telecommunications and data communications distributors that gives us additional scale and opportunities for further revenue growth. C Enterprises has a similar go-to-market strategy to ours and provides us with solid manufacturing capabilities that strengthen our overall offer in the market. Their strong fiber optic and copper product offering is scalable and complementary to our business and their West Coast manufacturing capabilities give us a larger footprint for fiber optic production to more easily service our existing customers. We also expect to leverage their capabilities to enhance our small cell product offering to the wireless carrier market. Our ability to execute in small cell applications with a strengthened offer will be very important for us as the 5G rollout and the related network densification investment starts to gain momentum.

In November 2019, we announced our second acquisition, adding telecom supplier Schroff Technologies International, a Rhode Island-based manufacturer of products serving the high growth wireless, telecom, and cable markets. Schrofftech has two primary product offerings. The first is an energy-efficient cooling system for wireless base stations and remote equipment shelters that can decrease a telecom carrier's air conditioning costs by up to 75 percent. With the substantial increase in demand being placed on existing wireless and wireline infrastructures, the heat load from the density of these stations is becoming a significant issue for both wireless and wireline carriers, as well as data centers. Schrofftech's second product offering is a family of custom designed, pole-ready 5G small cell integrated enclosures that provide improved aesthetics and reduce small cell installation time from days to hours.

Schrofftech also brings relationships with all four of the major wireless carriers as well as other key players in the wireless ecosystem, and higher margin revenue, which we expect will help our blended margins. Schrofftech both expands our overall offer in the small cell bill of materials, so that we can capitalize on the upcoming network densification opportunity, and also diversifies our exposure to the carriers, giving us additional buckets of money to tap into within the carrier CapEx spend.

As we continue to evaluate a robust and growing pipeline of acquisition candidates, our strong balance sheet enables us to pursue additional acquisitions that make sense.

While we are proud of our growth in fiscal 2019, we know we are only scratching the surface. To capitalize on our offer to the market and to further our approach of doing business the way our customers want to do business, during the fiscal year we rolled out a new sales structure that combines all of our distribution sales teams, creating centralized leadership and account based and regional goals. This new structure primarily combined our traditional RF Coaxial and the C Enterprises sales teams into one. We anticipate that these changes will drive organic growth through our distributor partners.

Looking ahead, we remain focused on our key initiatives to leverage our strong customer relationships and channel partnerships to further expand our footprint in the marketplace, and to do so in a profitable manner as we accelerate the work on our three-year plan to grow to $100 million in sales.

We have made tremendous progress in the last two years, and while we're not done with our transformation, we are energized by the opportunities we see ahead. We appreciate the partnerships with our customers, distributors and suppliers, the hard work of our employees, and the support of our shareholders.

Lastly, I would be remiss not to mention the challenging environment and ongoing uncertainties we all continue to face during our Fiscal Year 2020 due to the impact of the Coronavirus pandemic. We continue to focus first and foremost on the health and safety of our employees and are thankful for their fortitude, innovation and positive spirit throughout this difficult time. The Board and leadership team are confident that with our solid financial standing, we remain well positioned to successfully navigate through this challenging operating environment and emerge a stronger company.

Sincerely,

Robert Dawson
President and CEO

Abridged and Edited Copy of Annual Report

Form 10-K

Annual Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended October 31, 2019

Commission File Number 0-13301

RF INDUSTRIES, LTD.
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The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $47.1 million.

On December 13, 2019, the Registrant had 9,614,617 outstanding shares of Common Stock, $.01 par value.

Forward-Looking Statements:

Certain statements in this Annual Report on Form 10-K, and other oral and written statements made by the Company from time to time are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including those that discuss strategies, goals, outlook or other non-historical matters, or projected revenues, income, returns or other financial measures. In some cases forward-looking statements can be identified by terminology such as "may," "will," "should," "except," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These forward-looking statements are subject to numerous risks and uncertainties that may cause actual results to differ materially from those contained in such statements. Among the most important of these risks and uncertainties are the ability of the Company to continue to source its raw materials and products from its suppliers and manufacturers, the market demand for its products, which market demand is dependent to a large part on the state of the telecommunications industry, the effect of future business acquisitions and dispositions, the incurrence of impairment charges, and competition.

Important factors which may cause actual results to differ materially from the forward-looking statements are described in the Section entitled "Risk Factors" in the Form 10-K, and other risks identified from time to time in the Company's filings with the Securities and Exchange Commission. The Company assumes no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

PART I

ITEM 1. BUSINESS

General

RF Industries, Ltd. (together with subsidiaries, the "Company") is a national manufacturer and marketer of interconnect products and systems, including coaxial and specialty cables and connectors, fiber optic cables and connectors, and electrical and electronic specialty cables and components. The Company also manufactures and markets a line of ambient thermal systems for wireless telecom companies, as well as shrouds for small cell installations for the wireless industry. Through its five manufacturing and production facilities, the Company provides a wide selection of interconnect products and solutions primarily to telecommunications carriers and equipment manufacturers, wireless and network infrastructure carriers and manufacturers and to various original equipment manufacturers (OEMs) in several market segments.

The Company operates through two reporting segments: (i) the "RF Connector and Cable Assembly" (RF Connector) segment, and (ii) the "Custom Cabling Manufacturing and Assembly" (Custom Cabling) segment. The RF Connector and Cable Assembly segment primarily designs, manufactures, markets and distributes a broad range of connector and cable products, including coaxial connectors and cable assemblies that are integrated with coaxial connectors, used in telecommunications, information technology, OEM markets and other end markets. The Custom Cabling Manufacturing and Assembly segment designs, manufactures, markets and distributes custom copper and fiber cable assemblies, complex hybrid fiber optic and power solution cables, electromechanical wiring harnesses, wiring harnesses, ambient thermal systems, and shrouds for small cell installations.

Operations

The Company currently conducts its operations through its five divisions.

RF Connector and Cable Assembly Segment.

The Company's RF Connector and Cable Assembly segment ("RF Connector segment") consists of the RF Connector and Cable Assembly division ("RF Connector division") that is based at the Company's headquarters in San Diego, California. Although most of the Company's RF connector and cable products are inventoried and distributed from its San Diego facilities, some of these products also are inventoried and distributed from the Company's other facilities. The RF Connector division is engaged in the design, manufacture and distribution of coaxial connector solutions for companies that design, build, operate, maintain and use wireless voice, data, messaging, and location tracking systems. Coaxial connector products consist primarily of connectors which, when attached to a coaxial cable, facilitate the transmission of analog and digital signals in various frequencies. Although most of the connectors are designed to fit standard products, the RF Connector division also sells custom connectors specifically designed and manufactured to suit its customers' requirements such as the Wi-Fi and broadband wireless markets.

The Company's RF Connector division typically carries over 1,500 different types of connectors, adapters, tools, and test and measurements kits. This division's RF connectors are used in thousands of different devices, products and types of equipment. Since the RF Connector division's standard connectors can be used in a number of different products and devices, the discontinuation of one product typically does not make the Company's connectors obsolete. Accordingly, most connectors carried by the Company can be marketed for a number of years and are only gradually phased out. Furthermore, because the Company's connector products are not dependent on any single line of products or any market segment, the Company's overall sales of connectors tend to fluctuate less when there are material changes or disruption to a single product line or market segment. Sales of the Company's connector products are, however, dependent upon the infrastructure build-out by large telecommunications firms and on the Company's ability to market its products to these customers.

Cable assembly products manufactured and sold by the RF Connector division consist of various types of coaxial cables that are attached to connectors (usually the Company's connectors) for use in a variety of communications applications. Cable assemblies manufactured for the RF Connector division are primarily manufactured at the Company's San Diego, California facilities using state-of-the-art automation equipment and are sold through distributors or directly to major OEM accounts. Cable assemblies consist of both standard cable assemblies and assemblies that are custom manufactured for the Company's clients. The Company offers a line of cable assemblies with over 100,000 cable product combinations.

The Company designs its connectors at its headquarters in San Diego, California. However, most of the RF connectors are manufactured for the Company by third-party foreign manufacturers located in Asia.

Custom Cabling Manufacturing and Assembly Segment.

The Custom Cabling segment currently consists of four wholly-owned subsidiaries – three located in the Northeastern U.S and one located in Southern California. Until its sale on October 31, 2018, Comnet Telecom was part of the Custom Cabling segment. C Enterprises, Inc., which the Company acquired in March 2019, and Schrofftech, which was acquired in November 2019, are now part of the Custom Cabling Manufacturing and Assembly segment. Certain of the products manufactured and sold by these East Coast are similar and can be manufactured at either of the East Coast facilities. The Company's plan is to integrate certain of the manufacturing and marketing functions of these divisions so as to better address overlapping market opportunities and to more efficiently manufacture, market and ship products to the Company's customers. The newly acquired Southern California custom cabling manufacturing and assembly facility provides similar products and services to their customers compared to the other East Coast facilities focusing largely on fiber optic and copper cable assemblies.The four subsidiaries that comprise the current Custom Cabling segment consist of the following:

Cables Unlimited, Inc. Cables Unlimited, Inc. ("Cables Unlimited") is a custom cable manufacturer located in Yaphank, New York, that RF Industries, Ltd. acquired in 2011. Cables Unlimited is a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture fiber optic products that are backed by Corning Cable Systems' extended warranty. Cables Unlimited designs, develops and manufactures custom connectivity solutions for the industrial, defense, telecommunications and wireless markets. The products sold by Cables Unlimited include custom and standard copper and fiber optic cable assemblies, adapters and electromechanical wiring harnesses for communications, computer, LAN, automotive fiber optic and medical equipment.

Rel-Tech Electronics, Inc. RF Industries, Ltd. acquired Rel-Tech Electronics, Inc. ("Rel-Tech") in June 2015. Rel-Tech's offices and manufacturing facilities are located in Milford, Connecticut. Founded in 1986, Rel-Tech is a designer and manufacturer of cable assemblies and wiring harnesses for blue chip industrial, oilfield, instrumentation, medical and military customers. Wire and cable assembly products include custom wire harnesses, ribbon cable, electromechanical and kitted assemblies, and networking and communications cabling.

C Enterprises, Inc. C Enterprises, Inc. ("C Enterprises") is a fiber optic and copper cable manufacturer located in Vista, California. This subsidiary acquired the business and assets of C Enterprises, L.P. on March 15, 2019. C Enterprises is a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture fiber optic products that are backed by Corning Cable Systems' extended warranty. C Enterprises designs, develops and manufactures connectivity solutions to telecommunications and data communications distributors.

Schroff Technologies International, Inc. RF Industries, Ltd acquired Schroff Technologies ("Schrofftech") in November 2019. Schrofftech is a Rhode Island based manufacturer and marketer of intelligent thermal control systems used by telecommunications companies across the U.S. and Canada, and shrouds for small cell integration and installation.

Product Description

The Company produces a broad range of interconnect products and assemblies and other products used in the telecommunications and a broad range of other industries. The products that are offered and sold by the Company consist of the following:

Connector and Cable Products

The Company designs, manufactures and markets a broad range of coaxial connectors, coaxial adapters and coaxial cable assemblies for the numerous products with applications in commercial, industrial, automotive, transportation, scientific, aerospace and military markets. Various types of products/connectors include passive DAS related items such as connectors, adapters, splitters, couplers and loads. These connectors are offered in several configurations and cable attachment methods for customer applications. There are numerous applications for these connectors, some of which include digital applications, 2.5G, 3G, 4G, 5G, LTE, Wi-Fi and other broadband wireless infrastructure, GPS (Global Positioning Systems), mobile radio products, aircraft, video surveillance systems, cable assemblies and test equipment. Users of the Company's connectors include telecommunications companies, circuit board manufacturers, OEMs, consumer electronics manufacturers, audio and video product manufacturers and installers, and satellite companies. The Company markets over 1,500 types of connectors, adapters, tools, assembly, test and measurement kits, which range in price from under $1 to over $1,000 per unit. The kits satisfy a variety of applications including, but not limited to, lab operations, site requirements and adapter needs.

The Company also designs and sells a variety of connector tools and hand tools that are assembled into kits used by lab and field technicians, research and development technicians and engineers. These tools are manufactured for the Company by outside contractors. Tool products are carried as an accommodation to the Company's customers and have not materially contributed to the Company's revenues.

The Company markets and manufactures cable assemblies in a variety of sizes and combinations of RF coaxial connectors and coaxial cabling. Cabling is purchased from a variety of major unaffiliated suppliers and is assembled predominately with the Company's connectors or other brands of connectors as complete cable assemblies. Coaxial cable assemblies have numerous applications including low PIM, Wi-Fi and wireless local area networks, wide area networks, internet systems, cellular systems including 2.5G, 3G, 4G, 5G, LTE, DAS and Small Cell installations, TV/dish network systems, test equipment, military/aerospace (mil-standard and COTS (Commercial Off–The-Shelf)) and entertainment systems. Cable assemblies are manufactured to customer requirements.

The Company carries thousands of separate types of connectors, most of which are available in standard sizes and configurations and that are also offered by other companies. However, the Company also has some proprietary products, including the CompPro product line, its OptiFlex cables, and Schrofftech telecom shelter cooling and control system products. CompPro is a patented compression technology that offers advantages for a water-tight, ruggedized connection, providing easier installation, and improved system reliability on braided cables. CompPro is used by wireless network operators, installers and distributors in North America and other parts of the world. OptiFlex is a hybrid fiber optic and DC power cabling solution that the Company designed and manufactures, and the Schrofftech products are energy efficient cooling/temperature control and filtration systems for use in telecom shelters, outdoor enclosures and battery/power rooms.

Fiber Optic Products

The Company's Cables Unlimited division is a Corning Cable Systems CAH Connections SM Gold Program member that is authorized to manufacture fiber optic products that are backed by Corning Cable Systems' extended warranty. Through its Cables Unlimited division, the Company offers a broad range of interconnect products and systems that have the ability to combine radio frequency and fiber optic interconnect components, with various connectors and power cables through customized solutions for these customers. Cables Unlimited also manufactures OptiFlex, a custom designed hybrid fiber optic and DC power cabling solution manufactured for wireless service providers engaged in upgrading their cell towers. The custom hybrid cable is significantly lighter and possesses greater flexibility than cables previously used for wireless service.

C Enterprises is a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture fiber optic products that are backed by Corning Cable Systems' extended warranty. C Enterprises designs, develops and manufactures connectivity solutions to telecommunications and data communications distributors.

Other Cabling Products

The Company also designs, manufactures and sells cable assemblies and wiring harnesses for industrial, oilfield, instrumentation, medical and military customers. Wire and cable assembly products include custom wire harnesses, ribbon cable, electromechanical and kitted assemblies, networking and communications cabling. DIN and Mini DIN connector assemblies include power cord, coaxial, Mil-spec and testing.

Telecommunications Thermal Control Systems and Shrouds

Since its acquisition of Schrofftech in November 2019, the Company now also manufactures and sells intelligent thermal control systems for outdoor telecommunications equipment. The thermal control systems, which can be controlled offsite using networked software at the telecommunication company's own data center, maintain the interior temperature of telecommunications equipment. Schrofftech has also introduced shrouds for small cell deployments that reduce installation time and improve aesthetics by eliminating the exterior cabling used with current configurations.

Foreign Sales

Net sales to foreign customers accounted for $960,000 (or approximately 2%) of the Company's net sales, and $662,000 (or approximately 1%) of the Company's net sales for the fiscal years ended October 31, 2019 and 2018, respectively. The majority of the export sales during these periods were to Canada and Mexico.

The Company does not own, or directly operate any manufacturing operations or sales offices in foreign countries.

Distribution and Marketing

The Company currently sells its products through independent warehousing distributors and through its in-house marketing and sales team. Sales through independent distributors accounted for approximately 45% of the net sales of the Company for the fiscal year ended October 31, 2019. The Company's agreements with most of the distributors are nonexclusive and generally may be terminated by either party upon 30-60 days' written notice. The Company directly sells certain of its products to large, national telecommunication equipment and solution providers who include the Company's products in their own product offerings.

Manufacturing

The Company contracts with outside third parties for the manufacture of a significant portion of its coaxial connectors. However, virtually all of the RF cable assemblies sold by the Company during the fiscal year ended October 31, 2019 were assembled at the International Organization for Standardization (ISO) approved factory in San Diego, California. The Company procures its raw cable from manufacturers with ISO approved factories in the United States, China and Taiwan. The Company primarily relies on fourteen manufacturers for its coaxial connectors, tools and other passive components and several plants for raw cable. Although the Company does not have manufacturing agreements with these manufacturers for its connectors and cable products, the Company does have long-term purchasing relationships with these manufacturers. There are certain risks associated with the Company's dependence on third-party manufacturers for some of its products. See "Risk Factors" below. The Company has in-house design engineers who create the engineering drawings for fabrication and assembly of connectors and cable assemblies. Accordingly, the manufacturers are not primarily responsible for design work related to the manufacture of the connectors and cable assemblies.

The Company manufactures custom cable assemblies, adapters and electromechanical wiring harnesses and other products through Cables Unlimited, Inc. at its Yaphank, New York manufacturing facility. The Yaphank facility is an ISO approved factory. Cables Unlimited is a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture fiber optic products and assemblies that are backed by Corning Cable Systems' extended warranty.

The Milford, Connecticut facility of Rel-Tech Electronics, Inc. is an ISO approved manufacturing facility that is primarily used to manufacture cable assemblies, electromechanical assemblies, wiring harnesses and other similar products.

The Vista, California facility operated by C Enterprises, Inc. is an ISO approved manufacturing facility that is primarily used to manufacture fiber optic and copper cable assemblies that are backed by Corning Cable Systems' extended warranty.

The products sold by Schrofftech are designed and manufactured at that company's ISO approved manufacturing facility in North Kingstown, Rhode Island. Schrofftech's products are manufactured and tested in accordance with the ETL Listing standards.

Raw Materials

Connector materials are typically made of commodity metals such as copper, brass and zinc and include small applications of precious materials, including silver and gold. The RF Connector division purchases most of its connector products from contract manufacturers located in Asia and the United States. The Company believes that the raw materials used in its products are readily available and that the Company is not currently dependent on any supplier for its raw materials. The Company does not currently have any long-term purchase or supply agreements with its connector suppliers. The Custom Cabling divisions obtain coaxial connectors from the RF Connector division. The Company believes there are numerous domestic and international suppliers of other coaxial connectors that the Company may need for any of its cabling products.

The Cables Unlimited, Rel-Tech Electronics, C Enterprises, and Schrofftech divisions purchase largely all of the raw materials used in their products from sources located in the United States. Fiber optic cables are available from various manufacturers located throughout the United States; however, Cables Unlimited purchases most of its fiber optic cables from Corning Cables Systems LLC. The Company believes that the raw materials used by Cables Unlimited in its products are readily available and that Cables Unlimited is not currently dependent on any supplier for its raw materials except where Corning Extended Warranty certification is required. Neither Cables Unlimited nor Rel-Tech Electronics currently have any long-term purchase or supply agreements with their connector and cable suppliers.

Employees

As of October 31, 2019, the Company employed 281 full-time employees, of whom 51 were in accounting, administration, sales and management, 224 were in manufacturing, distribution and assembly, and 6 were engineers engaged in design, engineering and research and development. The employees were based at the Company's facilities in San Diego, California (78 employees), Yaphank, New York (76 employees), Milford, Connecticut (51 employees), and Vista, California (76 employees). RF Industries purchased Schrofftech in November 2019. As of the date of this Annual Report, Schrofftech had 12 full-time employees, of whom six were in administration and the rest were in engineering and manufacturing. The Company also occasionally hires part-time employees.

The Company believes that it has a good relationship with its employees. The Cables Unlimited division employs five cable installers who are currently represented by a union. Other than the foregoing installers that belong to a union, none of the Company's other employees are unionized.

Patents, Trademarks and Licenses

The Company owns ten U.S. patents related to CompPro Product Line that it acquired in May 2015. The CompPro Product Line utilizes a patented compression technology that offers revolutionary advantages for a water-tight connection, easier installation, and improved system reliability on braided cables. The CompPro Product Line is used by wireless network operators, installers and distributors in North America and other parts of the world.

The Company's Schrofftech subsidiary owns three issued patents (two are owned jointly) on its proprietary telecom shelter cooling and control system technology and its equipment room ventilation controls. Schrofftech has also filed five pending patent applications related to ventilation and control equipment and controls.

The trademarks the Company owns includes the "CompPro" registered trademark associated with the compression cable product line and the "OptiFlex™" as a trademark for its hybrid cable wireless tower cable solution. The Company and each of its subsidiaries also use various trademarks (and associated logos and trade names) in their operations, although none of these trademarks have been registered.

Because the RF Connectors division carries thousands of separate types of connectors and other products, most of which are available in standard sizes and configurations and are also offered by the Company's competitors, the Company does not believe that its cables and connector business or competitive position is dependent on patent protection.

Under its agreements with Corning Cables Systems LLC, Cables Unlimited and C Enterprises are permitted to advertise that they are Corning Cables System CAH Connections SM Gold Program members.

Warranties and Terms

The Company warrants its products to be free from defects in material and workmanship for varying warranty periods, depending upon the product. Products are generally warranted to the dealer for one year, with the dealer responsible for any additional warranty it may make. The RF Connector products are warranted for the useful life of the connectors. Although the Company has not experienced any significant warranty claims to date, there can be no assurance that it will not be subjected to such claims in the future.

The Company usually sells to customers on 30-day terms pursuant to invoices and does not generally grant extended payment terms. Sales to most foreign customers are made on cash terms at time of shipment. Customers may delay, cancel, reduce, or return products after shipment subject to a restocking charge.

Under its agreements with Corning Cables Systems LLC, Cables Unlimited and C Enterprises are authorized to manufacture optic cable assemblies that are backed by Corning Cables Systems' extended warranty (referred to as the "Gold Certified Warranty").

Competition

The industries in which we operate are highly competitive, and we compete with thousands of companies that range from large multinational corporations, some of which have greater assets and financial resources than the Company, to local manufacturers. Competition is generally based on breadth of product offering, product innovation, price, quality, delivery, performance and customer service. In addition, rapid technological changes occurring in the communications industry could also lead to the entry of new competitors of all sizes against whom we may not be able to successfully compete. There can be no assurance that the Company will be able to compete successfully against existing or new competition, and the inability to do so may result in price reductions, reduced margins, or loss of market share, any of which could have an adverse effect on the Company's business, financial condition and results of operations.

Government Regulations

The Company's products are designed to meet all known existing or proposed governmental regulations. Management believes that the Company currently meets existing standards for approvals by government regulatory agencies for its principal products.

The Company's products are Restriction on Hazardous Substances ("RoHS") compliant.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. DESCRIPTION OF PROPERTY

The Company currently leases its corporate headquarters and RF connector and cable assembly manufacturing facilities at 7610 Miramar Road, San Diego, California. At that location, the Company leases three buildings, with a total of approximately 21,908 square feet of office, warehouse and manufacturing space, that house the Company's corporate administration, sales and marketing, and engineering departments. The buildings also are used for production and warehousing by the Company's RF Connector division. The term of the lease expires on July 31, 2022, and the rental payments under the lease currently are $26,176 per month. The San Diego lease also requires the payment of the Company's pro rata share of real estate taxes and insurance, maintenance and other operating expenses related to the facilities.

(i) The Cables Unlimited division leases its 12,000 square foot manufacturing facility in Yaphank, New York, from K&K Unlimited, a company controlled by Darren Clark, the former owner and current President of Cables Unlimited. Cables Unlimited's monthly rent expense under the lease is $13,000 per month, plus payments of all utilities, janitorial expenses, routine maintenance costs and costs of insurance for Cables Unlimited's business operations and equipment. The current lease expires on June 30, 2021.

(ii) The Rel-Tech Electronic division leases an approximately 13,750 square foot facility in Milford, Connecticut. The old lease expired in August 2019. On September 1, 2019, Rel-Tech extended its lease term for an additional two years to August 31, 2021, with escalating rent payments over the two years. The net monthly rent payments currently are $8,969 per month.

(iii) On November 1, 2018, the Cables Unlimited division entered into a lease agreement with 100 Bellport Avenue, LLC for approximately 7,500 square feet located in Yaphank, New York with a monthly rent expense of $5,625. On February 1, 2019, Cables Unlimited entered into an amendment to this lease to expand the leased space by an additional 5,000 square feet and increase the monthly rent expense by $3,750, resulting in a total rent expense of $9,375 per month. The lease expired on October 31, 2019 and was converted to a month-to-month lease at the same monthly rental amount.

(iv) The recently acquired C Enterprises division leases approximately 24,014 square feet of office, warehouse, and manufacturing space located in Vista, California. The term of the lease expires on June 30, 2023, and the rental payments under the lease currently are $18,491 per month, plus payments of real estate taxes, management fee, property insurance and other operating expenses related to the facilities.

(v) The Schrofftech facilities, consisting of two buildings for a total of 10,700 square feet, are leased by RF Industries, Ltd. under two leases that expire on January 1, 2020 and April 30, 2020, respectively. Both leases have been renewed for two years and expire January 31, 2022. The aggregate monthly rental payments under the new leases will be $6,525 per month.

The aggregate fiscal 2019 monthly rent for all of the Company's facilities currently is approximately $76,000 per month, plus in certain circumstances, utilities, maintenance and insurance.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. As of the date of this report, we are not subject to any proceeding that is not in the ordinary course of business or that is material to the financial condition of our business.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information. RF Industries, Ltd.'s common stock is listed on the Nasdaq Global Market and is traded under the "RFIL" trading symbol.

Stockholder. As of October 31, 2019, there were 271 holders of the Company's Common Stock according to the records of the Company's transfer agent, Continental Stock Transfer & Trust Company, New York, New York, not including holders who hold their stock in "street name."

Repurchase of Securities. The Company did not repurchase any securities during the fiscal year October 31, 2019.

Recent Sales of Unregistered Securities. There were no previously unreported sales of equity securities by the Company that were not registered under the Securities Act during fiscal 2019.

Dividend Policy. The declaration and amount of any actual cash dividend are in the sole discretion of the Company's Board of Directors and are subject to numerous factors that ordinarily affect dividend policy, including the results of our operations and financial position, as well as general economic and business conditions. The Company has been paying quarterly dividends for over nine years. The amount of the quarterly dividends may differ from quarter to quarter. During the fiscal years ended October 31, 2019 and 2018, the Company paid an aggregate of $748,000 and $730,000, respectively, of dividends.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of October 31, 2019 with respect to the shares of Company common stock that may be issued under the Company's existing equity compensation plans.

	A	B		C
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options ($)		Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity Compensation Plans Approved by Stockholders (1)	759,088	$	4.07	1,405,741
Equity Compensation Plans Not Approved by Stockholders (2)	130,000	$	1.07	_
Total	889,088	$	3.63	1,405,741

(1) Consists of options granted under the R.F. Industries, Ltd. 2010 Stock Incentive Plan.

(2) Consists of options granted to one key employee of the Company.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to a "smaller reporting company" as defined in Item 10(f)(1) of SEC Regulation S-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The consolidated financial statements and related disclosures have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these consolidated financial statements requires the Company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. The Company evaluates its estimates, including those related to bad debts, inventory reserves and contingencies on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions that are believed to be appropriate 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.

Revenue Recognition

On November 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASC 606") applying the modified retrospective method. The core principle of ASC 606 is that revenue should be recorded in an amount that reflects the consideration to which we expect to be entitled in exchange for goods or services promised to customers. Under ASC 606, the Company follows a five-step model to: (1) identify the contract with our customer; (2) identify our performance obligations in our contract; (3) determine the transaction price for our contract; (4) allocate the transaction price to our performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. In accordance with this accounting principle, the Company recognizes revenue using the output method at a point in time when finished goods have been transferred to the customer and there are no other obligations to customers after the title of the goods have transferred. Title of goods are transferred based on shipping terms for each customer – for shipments with terms of FOB Shipping Point, title is transferred upon shipment; for shipments with terms of FOB Destination, title is transferred upon delivery.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined using the weighted average cost method of accounting. Certain items in inventory may be considered obsolete or excess and, as such, the Company periodically reviews its inventories for excess and slow moving items and makes provisions as necessary to properly reflect inventory value. Because inventories have, during the past couple years, represented up to one-fourth of our total assets, any reduction in the value of our inventories would require the Company to take write-offs that would affect the net worth and future earnings.

Allowance for Doubtful Accounts

The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical experience, the age of the accounts receivable balance, credit quality of the Company's customers, current economic conditions and other factors that may affect a customer's ability to pay.

Long-Lived Assets Including Goodwill

The Company assesses property, plant and equipment and intangible assets, which are considered definite-lived assets, for impairment. Definite-lived assets are reviewed when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If property and equipment and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value.

The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment.

The Company tests its goodwill and trademarks and indefinite-lived assets for impairment at least annually or more frequently if events or changes in circumstances indicate these assets may be impaired. These events or circumstances require significant judgment and could include a significant change in the business climate, legal factors, operating performance indicators, competition and sale or disposition of all or a portion of a division. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital

Income Taxes

The Company records a tax provision for the anticipated tax consequences of the reported results of operations. Income taxes are accounted for under the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates as of the date of the financial statements that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company accounts for uncertain tax positions by determining if it is "more likely than not" that a tax position will be sustained by the appropriate taxing authorities upon examination based on the technical merits of the position. An uncertain income tax position is not recognized if it has less than a 50% likelihood of being sustained. The Company recognizes interest and penalties related to certain uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and income taxes payable in the Company's consolidated balance sheets. See Note 9 to the Consolidated Financial Statements included in this Report for more information on the Company's accounting for uncertain tax positions.

The calculation of the tax provision involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on the Company's financial condition and operating results.

Stock-based Compensation

The Company uses the Black-Scholes model to value the stock option grants. This valuation is affected by the Company's stock price as well as assumptions regarding a number of inputs which involve significant judgments and estimates. These inputs include the expected term of employee stock options, the expected volatility of the stock price, the risk-free interest rate and expected dividends.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For recently issued accounting pronouncements that may affect us, see Note 1 of Notes to Consolidated Financial Statements.

OVERVIEW

During the periods covered by this Annual Report, the Company marketed a variety of connector products, including connectors and cables, standard and custom cable assemblies, wiring harnesses and fiber optic cable products to numerous industries for use in thousands of products. The Company aggregates its operating divisions into segments that have similar economic characteristics and are similar in the majority of the following areas: (1) the nature of the product and services; (2) the nature of the production process; (3) the type or class of customer for their products and services; (4) the methods used to distribute their products or services; and (5) if applicable, the nature of the regulatory environment. The Company has two reportable segments – the "RF Connector and Cable Assembly" (RF Connector) segment and the "Custom Cabling Manufacturing and Assembly" (Custom Cabling) segment – based upon this evaluation.

In the fiscal years covered by this Annual Report, the RF Connector segment was comprised of one division, while the Custom Cabling segment was comprised of three divisions. The four divisions that met the quantitative thresholds for segment reporting in the fiscal year ended October 31, 2019 were the RF Connector and Cable Assembly division, Cables Unlimited, Rel-Tech, and C Enterprises subsidiaries. Schrofftech, which the Company acquired in the current fiscal year ending October 31, 2020, is now part of the Custom Cabling segment.

For the year ended October 31, 2019, most of the Company's revenues were generated from the Custom Cabling segment from its sale of fiber optic cable, copper cabling, custom patch cord assemblies and wiring harnesses (which accounted for 75% of the Company's total sales for the fiscal year ended October 31, 2019). This segment largely benefitted from an increase in demand of the segment's fiber optic cables used primarily in the build out of wireless carrier 4G and anticipated 5G network deployment. This segment also sells customized cable assemblies and wiring harnesses which are integrated into customers' products.

Revenues from the RF Connector segment were generated from the sales of RF connector products and connector cable assemblies and accounted for 25% of the Company's total sales for the fiscal year ended October 31, 2019. This segment, which historically produces the largest margins of the four production sites, is known for its quick turnaround of high quality customized solutions in the form of cable assemblies.

On October 31, 2018, the Company sold all of the shares of its Comnet subsidiary for a cash purchase price of $4.2 million. The sale of Comnet was consistent with the Company's business transformation toward a one company culture and operating structure to more efficiently leverage its capabilities across the entire business. Comnet's business did not match the Company's go-to-market strategy since it operated with a different sales model and margin profile than the rest of the Company. As a result of the sale, the Company recognized a $0.2 million loss from discontinued operations for the year ended October 31, 2018. Comnet's results of operations for fiscal 2018 have been excluded from operating results in the financial statements included in this Annual Report.

On March 15, 2019, through C Enterprises, Inc., its newly formed subsidiary, the Company purchased the business and assets of C Enterprises L.P., a California based designer and manufacturer of quality connectivity solutions to telecommunications and data communications distributors. In consideration for the C Enterprises business and assets, the Company paid $600,000 in cash and assumed certain liabilities. The acquisition was determined not to be material and was accounted for in accordance with the acquisition method of accounting, and the acquired assets and assumed liabilities were recorded by the Company at their estimated fair values in accordance with ASC 805, Business Combinations. There were no intangible assets identified as part of the acquisition. The results of C Enterprises, Inc.'s operations subsequent to March 15, 2019 have been included in the results of the Custom Cabling segment as well as in the Company's consolidated statements of operations. Costs related to the acquisition of C Enterprises were approximately $100,000 and have been expensed as incurred and categorized in selling and general expenses. For the fiscal year ended October 31, 2019, C Enterprises, Inc. contributed $7.2 million of revenue.

On November 4, 2019, the Company purchased all of the issued and outstanding shares of Schroff Technologies International, Inc. ("Schrofftech") from DRC Technologies, Inc., an unaffiliated party. Based in Rhode Island, Schrofftech is a Rhode Island based manufacturer and marketer of intelligent thermal control systems used by telecommunications companies across the U.S. and Canada, and shrouds for small cell integration and installation. The Company paid $4,000,000 in cash at the closing, of which $900,000 was deposited into two separate escrow accounts for a period of one year and two years, respectively, as security for any indemnification claims the Company may have against the seller. In addition to the cash paid at the closing, the Company agreed to pay up to an additional $2,400,000 as an earn-out payment if Schrofftech achieves certain adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") targets during the two-year period following the closing. Since the acquisition of Schrofftech occurred after the end of the two fiscal years covered by this report, the financial results of Schrofftech are not included in the attached consolidated financial statements.

Financial Condition

The following table presents certain key measures of financial condition as of October 31, 2019 and 2018 (in thousands, except percentages):

	2019			2018		
	Amount		% Total Assets	Amount		% Total Assets
Cash and cash equivalents	$	12,540	33.3%	$	16,334	50.3%
Current assets		33,660	89.3%		28,530	87.8%
Current liabilities		6,080	16.1%		4,719	14.5%
Working capital		27,580	73.2%		23,811	73.3%
Property and equipment, net		839	2.2%		559	1.7%
Total assets		37,700	100.0%		32,502	100.0%
Stockholders' equity		31,533	83.6%		27,783	85.5%

Liquidity and Capital Resources

Management believes that its existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource needs of the Company for at least twelve months from the date of this filing. Management believes that its existing assets and the cash it expects to generate from operations, including its current backlog of unfulfilled orders, will be sufficient during the current fiscal year.

As of October 31, 2019, the Company had a total of $12.5 million of cash and cash equivalents compared to a total of $16.3 million of cash and cash equivalents as of October 31, 2018. As of October 31, 2019, the Company had working capital of $27.6 million and a current ratio of approximately 5.5:1. The Company's cash and cash equivalents decreased compared to its cash and cash equivalents as of October 31, 2018 due to the timing of its sales and the changes in accounts receivable. During the fourth quarter of the fiscal year ended October 31, 2019, the Company's sales increased significantly compared to the prior year, which increased the Company's accounts receivable to $12.2 million as of October 31, 2019, compared to $4.3 million as of October 31, 2018. As of October 31, 2019, the Company had $33.7 million in current assets and $6.1 million in current liabilities.

The Company's cash and cash equivalents decreased by $4.0 million on November 4, 2019 due to the cash payment the Company made on that day to purchase Schrofftech. The decrease in cash is not expected to have a negative impact on the Company's liquidity and capital resources in the current fiscal year.

The Company's backlog as of October 31, 2019 was $6.1 million compared to a backlog of $10.9 million as of the fiscal year ended October 31, 2018. Since purchase orders are submitted from customers based on the timing of their requirements, the Company's ability to predict orders in future periods or trends in future periods is limited. Furthermore, purchase orders may be subject to cancellation from customers, although the Company has not historically experienced material cancellations of purchase orders.

The Company used cash of $2.7 million in operating activities during the year ended October 31, 2019 due largely to an increase in accounts receivable ($6.6 million) as a result of extending terms for one of its major customer. Other activities that contributed to the increased use of cash was increased inventory purchases ($0.7 million) due to increased sales, increased capital expenditures ($0.5 million) from the expansion of its manufacturing facilities and the purchase of additional manufacturing equipment, the purchase of C Enterprises ($0.5 million), and dividends paid ($0.7 million) to our shareholders. Partially offsetting these decreases were increases resulting from net income of $3.5 million, in addition to noncash credits of $0.6 million from depreciation and amortization and $0.3 million from stock-based compensation expense.

The Company does not anticipate needing material additional capital equipment in the next twelve months. In the past, the Company has financed some of its equipment and furnishings requirements through capital leases. No additional capital equipment purchases have been currently identified that would require significant additional leasing or capital expenditures during the next twelve months. Management also believes that based on the Company's current financial condition, its current backlog of unfulfilled orders and its anticipated future operations, the Company would be able to finance its expansion, if necessary.

As of October 31, 2019, the Company had no outstanding indebtedness for borrowed funds. In November 2019 the Company obtained a $5 million revolving line of credit from Bank of America, N.A. The credit facility is secured by all of the assets of RF Industries, Ltd., including by a pledge of the shares of the Company's four subsidiaries and by guaranties executed by those subsidiaries. The credit facility bears interest per year at a rate equal to the LIBOR Daily Floating Rate plus 2.00%. As of the date of this Annual Report, no advances have been made to the Company under the credit facility.

From time to time, the Company may undertake acquisitions of other companies or product lines in order to diversify its product and solutions offerings and customer base. Conversely, the Company may undertake the disposition of a division or product line due to changes in the Company's business strategy or market conditions. Acquisitions may require the outlay of cash, which may reduce the Company's liquidity and capital resources while dispositions may increase the Company's cash position, liquidity and capital resources.

The Company is currently evaluating the financial impact of the import tariffs that were recently enacted by the U.S. and certain foreign countries. While the Company does not believe that the direct financial impact on the Company of the enacted tariffs has been material, there is uncertainty related to potential costs resulting from the tariffs and the disruption related to the trade dispute between the U.S. and certain other countries, and there may be an indirect impact in the form of increased material costs from suppliers that cannot be accurately measured.

Results of Operations

The following summarizes the key components of the consolidated results of operations for the fiscal years ended October 31, 2019 and 2018 (in thousands, except percentages) of the Company, excluding Comnet. On October 31, 2018, the Company sold its Comnet subsidiary. Except as stated, all information regarding the Company's results of operations in the fiscal year ended October 31, 2018 exclude the operations of Comnet. As a result of the sale of the Comnet division, Comnet is included in the Company's results from operations as loss from discontinued operations.

	2019		2018	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	$ 55,325	100.0%	$ 50,196	100.0%
Cost of sales	39,688	71.7%	33,096	65.9%
Gross profit	15,637	28.3%	17,100	34.1%
Engineering expenses	1,468	2.7%	1,480	2.9%
Selling and general expenses	9,710	17.6%	8,173	16.3%
Operating income	4,459	8.1%	7,447	14.8%
Other income	98	0.2%	47	0.1%
Income from continuing operations before provision for income taxes	4,557	8.2%	7,494	14.9%
Provision for income taxes	1,036	1.9%	1,468	2.9%
Income from continuing operations	3,521	6.4%	6,026	12.0%
Loss from discontinued operations, net of tax	-	0.0%	(180)	-0.4%
Consolidated net income	3,521	6.4%	5,846	11.6%

Net sales for the year ended October 31, 2019 ("fiscal 2019") increased by $5.1 million (or 10%) to $55.3 million, as compared to net sales of $50.2 million for the year ended October 31, 2018 ("fiscal 2018"). Net sales for fiscal 2019 at the RF Connector segment increased by $1.9 million, or 16%, to $13.7 million as compared to $11.8 million for fiscal 2018 as business from the Company's distribution channel increased. The Company's Custom Cabling segment generated $41.6 million of net sales for fiscal 2019, an increase of $3.3 million or 9% when compared to $38.4 million for fiscal 2018 as a result of $7.2 million of sales contributed from the C Enterprises division. This increase was partially offset by a sales decline in the wireless market due to the inclusion of the largest series of orders in the Company's history in the fiscal 2018 second quarter. C Enterprises was acquired in March 2019 and, therefore, no revenues from this subsidiary were recorded in fiscal 2018.

The Company's gross profit for fiscal 2019 declined $1.5 million when compared to fiscal 2018 due largely to the decrease in sales described above while also facing pricing pressure from some of its customers. In addition, gross margins at C Enterprises are lower than the blended margins at the majority of the other Custom Cabling subsidiaries, and substantially lower than the margins at the RF Connector segment, which contributed to the reduction of the Company's gross margins.

Accordingly, gross margins as a percentage of sales of 28% declined compared to 34% for fiscal 2018. Furthermore, the cost of labor increased as the Company paid more to reward and retain its production workforce and, in some cases, to meet increased state mandated minimum wage requirements.

Engineering expenses for fiscal 2019 were consistent with the engineering expenses for fiscal 2018. Engineering expenses represent costs incurred relating to the ongoing development of new products.

Selling and general expenses increased by $1.5 million during fiscal 2019 to $9.7 million (17.6% of sales) from $8.2 million (16.3% of sales) in the prior fiscal year. The increase in selling and general expenses in 2019 was primarily due to the addition of the selling and general expenses of the newly acquired C Enterprises division ($1.4 million), which expenses did not exist in fiscal 2018.

For fiscal 2019, the Company's operating income of $4.5 million decreased $2.9 million compared to operating income of $7.4 million in the prior fiscal year. The decrease in operating and net income is the result of smaller gross margins and higher selling and general expenses.

On December 22, 2017, the U.S. President signed the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act, among other things, lowered the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. As a result, we previously recorded a provisional estimate of the effect of the Tax Act in our financial statements. In the first quarter of 2019, we completed our analysis to determine the effect of the Tax Act and recorded no additional adjustments as of December 22, 2018.

The provision for income taxes from continuing operations was $1.0 million for an effective tax rate of 22.7% and $1.5 million for an effective tax rate of 19.6% for fiscal 2019 and 2018, respectively. The increase in the effective income tax rate from year to year is primarily driven by the elimination of the benefit from the domestic production activities deduction, the one-time benefit recorded in the prior year related to the reduction in the Company's deferred tax liability due to the change in the federal tax rate, both as a result of the Tax Act, during fiscal 2018, and the impact of share-based compensation excess tax benefits recognized which vary from year-to-year depending on the Company's share price in each period. The Company recorded income from discontinued operations, net of tax, for fiscal 2018 as disclosed in Note 3.

Loss from discontinued operations, net of tax, during fiscal 2018 was $180,000, resulting from the sale of the Comnet subsidiary on October 31, 2018. For fiscal 2018, the Company recognized pretax loss of $221,000 from Comnet's operations.

Net income and fully diluted earnings per share for fiscal 2019 were $3.5 million and $0.36 per share, respectively, as compared to $5.8 million or $0.61 per share for the prior year.

RF INDUSTRIES, LTD. AND SUBSIDIARIES

Index

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of RF Industries, Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of RF Industries, Ltd. and Subsidiaries (the Company) as of October 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended October 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended October 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CohnReznick LLP

We are uncertain as to the year CohnReznick LLP became the Company's auditor as 1995 is the earliest year of which we have knowledge.

Jericho, New York

December 20, 2019

RF INDUSTRIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2019 AND 2018
(In thousands, except share and per share amounts)

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 12,540	$ 16,334
Trade accounts receivable, net of allowance for doubtful accounts of $23 and $88, respectively	12,190	4,255
Inventories	8,245	7,113
Other current assets	685	828
TOTAL CURRENT ASSETS	33,660	28,530
Property and equipment:		
Equipment and tooling	3,602	3,210
Furniture and office equipment	998	822
	4,600	4,032
Less accumulated depreciation	3,761	3,473
Total property and equipment	839	559
Goodwill	1,340	1,340
Amortizable intangible assets, net	1,092	1,367
Non-amortizable intangible assets	657	657
Other assets	112	49
TOTAL ASSETS	$ 37,700	$ 32,502

RF INDUSTRIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2019 AND 2018
(In thousands, except share and per share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 2,406	$ 1,342
Accrued expenses	3,653	3,377
Income taxes payable	21	-
TOTAL CURRENT LIABILITIES	6,080	4,719
Other long-term liabilities	87	-
TOTAL LIABILITIES	6,167	4,719
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - authorized 20,000,000 shares of $0.01 par value; 9,462,267 and 9,291,201 shares issued and outstanding at October 31, 2019 and October 31, 2018, respectively	95	93
Additional paid-in capital	21,949	20,974
Retained earnings	9,489	6,716
TOTAL STOCKHOLDERS' EQUITY	31,533	27,783
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 37,700	$ 32,502

See Notes to Consolidated Financial Statements.

RF INDUSTRIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED OCTOBER 31, 2019 AND 2018
(In thousands, except share and per share amounts)

	2019	2018
Net sales	$ 55,325	$ 50,196
Cost of sales	39,688	33,096
Gross profit	15,637	17,100
Operating expenses:		
Engineering	1,468	1,480
Selling and general	9,710	8,173
Total operating expense	11,178	9,653
Operating income	4,459	7,447
Other income	98	47
Income from continuing operations before provision for income taxes	4,557	7,494
Provision for income taxes	1,036	1,468
Income from continuing operations	3,521	6,026
Loss from discontinued operations, net of tax	-	(180)
Consolidated net income	$ 3,521	$ 5,846
Earnings (loss) per share		
Basic		
Continuing operations	$ 0.38	$ 0.66
Discontinued operations	-	(0.02)
Net income per share	$ 0.38	$ 0.64
Earnings (loss) per share		
Diluted		
Continuing operations	$ 0.36	$ 0.63
Discontinued operations	-	(0.02)
Net income per share	$ 0.36	$ 0.61
Weighted average shares outstanding		
Basic	9,358,836	9,105,406
Diluted	9,854,604	9,593,066

See Notes to Consolidated Financial Statements.

RF INDUSTRIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED OCTOBER 31, 2019 AND 2018
(In thousands, except share amounts)

	Common Stock		Additional Paid-In	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance, November 1, 2017	8,872,246	$ 89	$ 19,654	$ 1,600	$ 21,343
Exercise of stock options	418,955	4	1,109	-	1,113
Stock-based compensation expense	-	-	211	-	211
Dividends	-	-	-	(730)	(730)
Net Income	-	-	-	5,846	5,846
Balance, October 31, 2018	9,291,201	93	20,974	6,716	27,783
Exercise of stock options	171,066	2	658	-	660
Stock-based compensation expense	-	-	317	-	317
Dividends	-	-	-	(748)	(748)
Net Income	-	-	-	3,521	3,521
Balance, October 31, 2019	9,462,267	$ 95	$ 21,949	$ 9,489	$ 31,533

See Notes to Consolidated Financial Statements.

RF INDUSTRIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2019 AND 2018
(In thousands)

	2019	2018
OPERATING ACTIVITIES:		
Consolidated net income	$ 3,521	$ 5,846
Loss from discontinued operations	-	(180)
Income from continuing operations	3,521	6,026
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Bad debt expense	21	8
Depreciation and amortization	563	513
Gain on sale of fixed assets	-	(1)
Stock-based compensation expense	317	211
Deferred income taxes	(43)	(79)
Changes in operating assets and liabilities:		
Trade accounts receivable	(6,640)	(1,360)
Inventories	(657)	(1,570)
Other current assets	218	(321)
Other long-term assets	(1)	21
Accounts payable	106	306
Accrued expenses	(211)	1,516
Income tax receivable	21	-
Other long-term liabilities	75	-
Net cash provided by (used in) operating activities from continuing operations	(2,710)	5,270
Net cash provided by operating activities from discontinued operations	-	945
INVESTING ACTIVITIES:		
Proceeds from landlord for tenant improvements	-	34
Proceeds from sale of fixed assets	-	1
Capital expenditures	(538)	(266)
Proceeds from sale of Comnet	-	4,200
Purchase of C Enterprises, net of cash acquired ($143)	(458)	-
Net cash provided by (used in) investing activities from continuing operations	(996)	3,969
Net cash used in investing activities from discontinued operations	-	(272)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	660	1,113
Dividends paid	(748)	(730)
Net cash provided by (used in) financing activities	(88)	383
Net increase (decrease) in cash and cash equivalents	(3,794)	10,295
Cash and cash equivalents of continuing operations, beginning of year	16,334	5,208
Cash and cash equivalents of discontinued operations, beginning of year	-	831
Cash and cash equivalents, beginning of year	16,334	6,039
Cash and cash equivalents, end of year	$ 12,540	$ 16,334
Supplemental cash flow information – income taxes paid	$ 739	$ 1,826
Supplemental schedule of noncash investing and financing activities:		
Disposal of fully depreciated property and equipment	$ -	$ 90
Write-off of deferred rent from sale of Comnet	$ -	$ 9

See Notes to Consolidated Financial Statements.

NOTE 1 - BUSINESS ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business activities

RF Industries, Ltd., together with its three wholly-owned subsidiaries (collectively, hereinafter the "Company"), primarily engages in the design, manufacture, and marketing of interconnect products and systems, including coaxial and specialty cables, fiber optic cables and connectors, and electrical and electronic specialty cables. For internal operating and reporting purposes, and for marketing purposes, as of the end of the fiscal year ended October 31, 2019, the Company classified its operations into the following four divisions/subsidiaries: (i) The RF Connector and Cable Assembly division designs, manufactures and distributes coaxial connectors and cable assemblies that are integrated with coaxial connectors; (ii) Cables Unlimited, Inc., the subsidiary that manufactures custom and standard cable assemblies, complex hybrid fiber optic power solution cables, adapters, and electromechanical wiring harnesses for communication, computer, LAN, automotive and medical equipment; (iii) Rel-Tech Electronics, Inc., the subsidiary that designs and manufacturers cable assemblies and wiring harnesses for blue chip industrial, oilfield, instrumentation and military customers; and (iv) C Enterprises, Inc., the subsidiary that designs and manufactures quality connectivity solutions to telecommunications and data communications distributors. The Cables Unlimited and C Enterprises divisions are Corning Cables Systems CAH Connections SM Gold Program members that are authorized to manufacture fiber optic cable assemblies that are backed by Corning Cables Systems' extended warranty.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of RF Industries, Ltd., Cables Unlimited, Inc. ("Cables Unlimited"), Rel-Tech Electronics, Inc. ("Rel-Tech"), and C Enterprises, Inc. ("C Enterprises"), wholly-owned subsidiaries of RF Industries, Ltd. All intercompany balances and transactions have been eliminated in consolidation.

Cash equivalents

The Company considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Revenue recognition

On November 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASC 606") applying the modified retrospective method. The core principle of ASC 606 is that revenue should be recorded in an amount that reflects the consideration to which we expect to be entitled in exchange for goods or services promised to customers. Under ASC 606, the Company follows a five-step model to: (1) identify the contract with our customer; (2) identify our performance obligations in our contract; (3) determine the transaction price for our contract; (4) allocate the transaction price to our performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. In accordance with this accounting principle, the Company recognizes revenue using the output method at a point in time when finished goods have been transferred to the customer and there are no other obligations to customers after the title of the goods have transferred. Title of goods are transferred based on shipping terms for each customer – for shipments with terms of FOB Shipping Point, title is transferred upon shipment; for shipments with terms of FOB Destination, title is transferred upon delivery.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined using the weighted average cost of accounting. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories.

We regularly review inventory quantities on hand, future purchase commitments with our suppliers, and the estimated utility of our inventory. If our review indicates a reduction in utility below carrying value due to damage, physical deterioration, obsolescence, changes in price levels, or other causes, we reduce our inventory to a new cost basis through a charge to cost of sales in the period in which it occurs. The determination of market value and the estimated volume of demand used in the lower of cost or market analysis requires significant judgment.

Property and equipment

Equipment, tooling and furniture are recorded at cost and depreciated over their estimated useful lives (generally 3 to 5 years) using the straight-line method. Expenditures for repairs and maintenance are charged to operations in the period incurred.

Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Goodwill is not amortized, but is subject to impairment analysis at least once annually, which the Company performs in October, or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments at the reporting level. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment, or two-step impairment test, to determine whether a goodwill impairment exists at the reporting unit. The first step in our quantitative assessment identifies potential impairments by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill ("Step 1"). If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment ("Step 2").

No instances of goodwill impairment were identified as of October 31, 2019 and 2018.

On June 15, 2011, the Company completed its acquisition of Cables Unlimited. Goodwill related to this acquisition is included within the Cables Unlimited reporting unit. As of May 19, 2015, the Company completed its acquisition of the CompPro product line. Goodwill related to this acquisition is included within the RF Connector and Cable Assembly Division. Effective June 1, 2015, the Company completed its acquisition of Rel-Tech. Goodwill related to this acquisition is included within the Rel-Tech reporting unit. On March 15, 2019, the Company completed its acquisition of C Enterprises; however, no goodwill resulted from this transaction.

Long-lived assets

The Company assesses property, plant and equipment and intangible assets, which are considered definite-lived assets for impairment. Definite-lived assets are reviewed when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If property and equipment and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value. The Company has made no material adjustments to our long-lived assets in any of the years presented.

The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment.

In addition, the Company tests our trademarks and indefinite-lived asset for impairment at least annually or more frequently if events or changes in circumstances indicate that these assets may be impaired.

No instances of impairment were identified as of October 31, 2019 or 2018.

Fair value measurement

The Company measures at fair value certain financial assets and liabilities. U.S. GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1— Quoted prices for identical instruments in active markets;

Level 2— Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3— Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As of October 31, 2019 and 2018, the carrying amounts reflected in the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximated their carrying value due to their short-term nature.

Intangible assets

Intangible assets consist of the following as of October 31, 2019 and 2018 (in thousands):

	2019	2018
Amortizable intangible assets:		
Customer relationships (estimated lives 7 - 15 years)	$ 2,879	$ 2,879
Accumulated amortization	(1,884)	(1,619)
	995	1,260
Patents (estimated life 14 year)	142	142
Accumulated amortization	(45)	(35)
	97	107
Totals	$ 1,092	$ 1,367
Non-amortizable intangivle assets:		
Trademarks	$ 657	$ 657

Amortization expense was $275,000 for the years ended October 31, 2019 and 2018. The weighted-average amortization period for the amortizable intangible assets is 10.98 years.

There was no impairment to trademarks for the years ended October 31, 2019 and 2018.

Estimated amortization expense related to finite lived intangible assets is as follows (in thousands):

Year ending October 31,	Amount
2020	$ 275
2021	136
2022	89
2023	79
2024	79
Thereafter	434
Total	$ 1,092

Advertising

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations were approximately $231,000 and $236,000 in 2019 and 2018, respectively.

Research and development

Research and development costs are expensed as incurred. The Company's research and development expenses relate to its engineering activities, which consist of the design and development of new products for specific customers, as well as the design and engineering of new or redesigned products for the industry in general. During the years ended October 31, 2019 and 2018, the Company recognized $1,468,000 and $1,480,000 in engineering expenses, respectively.

Income taxes

The Company accounts for income taxes under the asset and liability method, based on the income tax laws and rates in the jurisdictions in which operations are conducted and income is earned. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Developing the provision (benefit) for income taxes requires significant judgment and expertise in federal, international and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Management's judgments and tax strategies are subject to audit by various taxing authorities.

The Company had adopted the provisions of ASC 740-10, which clarifies the accounting for uncertain tax positions. ASC 740-10 requires that the Company recognize the impact of a tax position in the financial statements if the position is not more likely than not to be sustained upon examination based on the technical merits of the position. The Company's recognizes interest and penalties related to certain uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and income taxes payable in the Company's consolidated balance sheets. See Note 9 to the Consolidated Financial Statements included in this Report for more information on the Company's accounting for uncertain tax positions.

Stock options

For stock option grants to employees, the Company recognizes compensation expense based on the estimated fair value of the options at the date of grant. Stock-based employee compensation expense is recognized on a straight-line basis over the requisite service period. The Company issues previously unissued common shares upon the exercise of stock options.

For the fiscal years ended October 31, 2019 and 2018, charges related to stock-based compensation amounted to approximately $317,000 and $211,000, respectively. For the fiscal years ended October 31, 2019 and 2018, all stock-based compensation is classified in selling and general and engineering expense.

Earnings per share

Basic earnings per share is calculated by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding during the period. The calculation of diluted earnings per share is similar to that of basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, principally those issuable upon the exercise of stock options, were issued and the treasury stock method had been applied during the period. The greatest number of shares potentially issuable by the Company upon the exercise of stock options in any period for the years ended October 31, 2019 and 2018, that were not included in the computation because they were anti-dilutive, totaled 124,097 and 133,220, respectively.

The following table summarizes the computation of basic and diluted earnings per share:

	2019	2018
Numerators:		
Consolidated net income (A)	$ 3,521,000	$ 5,846,000
Denominators:		
Weighted average shares outstanding for basic earnings per share (B)	9,358,836	9,105,406
Add effects of potentially dilutive securities - assumed exercise of stock options	495,768	487,660
Weighted average shares outstanding for diluted earnings per share (C)	9,854,604	9,593,066
Basic earnings per share (A)/(B)	$ 0.38	$ 0.64
Diluted earnings per share (A)/(C)	$ 0.36	$ 0.61

Recent accounting standards

Recently issued accounting pronouncements not yet adopted:

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases. This ASU requires lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under the current GAAP. Recognition of these assets and liabilities will have a material impact to our consolidated balance sheets upon adoption. Under ASU 2016-02, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients. We adopted the standard as of November 1, 2019, the beginning of our fiscal 2020. We elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allows us to carryforward the historical lease classification. We elected the policy which allows us to combine the nonlease components with its related lease components rather than separating, and the policy election to keep leases with an initial term of 12 months or less off of the balance sheet. We will recognize those lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term. We estimate that the adoption of the standard will result in recognition of additional right-of-use assets and lease liabilities of approximately $2.3 million and $2.4 million, respectively, as of November 1, 2019. We do not believe the standard will materially affect our consolidated net earnings, nor do we believe the new standard will have a notable impact on our liquidity.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other, which simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Instead, if "the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit." The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this new standard will have on its Consolidated Financial Statements.

Recently issued accounting pronouncements adopted:

In May 2014, the FASB issued ASC 606. This guidance superseded Topic 605, Revenue Recognition, in addition to other industry-specific guidance. The new standard requires a company to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, as a revision to ASU 2014-09, which revised the effective date to fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption was permitted but not prior to periods beginning after December 15, 2016 (i.e., the original adoption date per ASU 2014-09). In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations, which clarifies certain aspects of the principal-versus-agent guidance, including how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions.

The amendments also reframe the indicators to focus on evidence that an entity is acting as a principal rather than as an agent. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing, which clarifies how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will determine whether it recognizes revenue over time or at a point in time. The amendments also clarify when a promised good or service is separately identifiable (i.e., distinct within the context of the contract) and allow entities to disregard items that are immaterial in the context of a contract. On November 1, 2018, the Company adopted ASC 606 applying the modified retrospective method. The Company has performed a review of ASC 606 as compared to its previous accounting policies for our product revenue and did not identify any material impact to revenue recognized. Therefore, there was no adjustment to retained earnings for a cumulative effect. The necessary changes to business processes and controls to effectively review and account for any new contracts under this standard have been implemented.

Note 2 – Business Acquisition

On March 15, 2019, through C Enterprises, Inc. ("C Enterprises"), its newly formed subsidiary, the Company purchased the business and assets of C Enterprises L.P., a California based designer and manufacturer of quality connectivity solutions to telecommunications and data communications distributors. In consideration for the C Enterprises business and assets, the Company paid $600,000 in cash and assumed certain liabilities. The acquisition was determined not to be material and was accounted for in accordance with the acquisition method of accounting, and the acquired assets and assumed liabilities were recorded by the Company at their estimated fair values in accordance with ASC 805, Business Combinations. There were no intangible assets identified as part of the acquisition.

The results of C Enterprises' operations subsequent to March 15, 2019 have been included in the results of the Custom Cabling Manufacturing and Assembly segment ("Custom Cabling segment") as well as in the Company's consolidated statements of operations. Costs related to the acquisition of C Enterprises were approximately $100,000 and have been expensed as incurred and categorized in selling and general expenses. For the year ended October 31, 2019, C Enterprises, Inc. contributed $7.2 million of revenue.

The following unaudited pro forma financial information presents the combined operating results of the Company and C Enterprises as if the acquisition had occurred as of the beginning of the earliest period presented. Pro forma data is subject to various assumptions and estimates and is presented for informational purposes only. This pro forma data does not purport to represent or be indicative of the consolidated operating results that would have been reported had the transaction been completed as described herein, and the data should not be taken as indicative of future consolidated operating results.

Pro forma financial information is presented in the following table:

	October 31, 2019		October 31, 2018	
Revenue	$	59,250	$	58,658
Net income		3,370		5,419
Earnings per share				
Basic	$	0.36	$	0.60
Diluted	$	0.34	$	0.56

Note 3 - Discontinued operations

On October 31, 2018, the Company sold all of the assets and liabilities of its subsidiary, Comnet Telecom Supply ("Comnet Telecom"). The Company and RAP Acquisition Inc. ("RAP Acquisition"), a New Jersey corporation, entered into a stock purchase agreement under which RAP Acquisition agreed to purchase 100% of the issued and outstanding shares of Comnet Telecom for a purchase price of $4,200,000 in cash. Comnet Telecom is a New Jersey-based manufacturer and supplier of telecommunications and data products, including fiber optic cables, cabling technologies, custom patch cord assemblies, data center consoles and other data center equipment. This division was one of the three subsidiaries of the "Custom Cabling Manufacturing and Assembly" segment. Comnet Telecom was acquired by the Company in January 2015 from Robert Portera, and has been a wholly-owned subsidiary of the Company since that time. Mr. Portera served as the President of Comnet Telecom during the period that Comnet Telecom was owned by the Company, and is the founder and principal of RAP Acquisition.

For the year ended October 31, 2018, the Company recognized pretax loss of $221,000 from the discontinued operations of the Comnet Telecom division, and an income tax benefit of $41,000. The major line items constituting the loss of discontinued operations of Comnet are as follows (in thousands):

	2018
Major line items constituting pretax income from discontinued operations:	
Net sales	$ 8,343
Cost of sales	(6,199)
Gross profit	2,144
Selling, general and administrative expense	(1,569)
Pretax income from discontinued operations	575
Pretax loss on sale of Comnet	(796)
Total pretax income (loss) from discontinued operations	(221)
Provision (benefit) for income taxes	(41)
Income (loss) from discontinued operations	$ (180)

Note 4 - Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with high-credit quality financial institutions. At October 31, 2019, the Company had cash and cash equivalent balances in excess of federally insured limits in the amount of approximately $11.6 million.

Two customers, a distributor and a wireless carrier, accounted for approximately 19% and 23% of the Company's net sales for the fiscal year ended October 31, 2019. This distributor accounted for approximately 62% of the Company's net sales for the year ended October 31, 2018. The wireless carrier's accounts receivable balance accounted for approximately 56% of the total net accounts receivable balance at October 31, 2019. The distributor's accounts receivable balance accounted for approximately 48% of the total net accounts receivable balance at October 31, 2018. Although these customers have been on-going major customers of the Company continuously in the past, the written agreement with these customers do not have any minimum purchase obligations and they could stop buying the Company's products at any time and for any reason. A reduction, delay or cancellation of orders from these customers or the loss of these customers could significantly reduce the Company's future revenues and profits.

Note 5 - Inventories and major vendors

Inventories, consisting of materials, labor and manufacturing overhead, are stated at the lower of cost or net realizable value. Cost has been determined using the weighted average cost method. Inventories consist of the following (in thousands):

	2019	2018
Raw materials and supplies	$ 3,576	$ 2,711
Work in process	791	603
Finished goods	3,878	3,799
Totals	$ 8,245	$ 7,113

Two vendors accounted for 13% and 19% of inventory purchases during the fiscal year ended October 31, 2019, compared to one vendor who accounted for 40% of inventory purchases for the fiscal year ended October 31, 2018. The Company has arrangements with their vendors to purchase product based on purchase orders periodically issued by the Company.

Note 6 - Other current assets

Other current assets consist of the following (in thousands):

	2019	2018
Prepaid taxes	$ -	$ 335
Prepaid expense	346	228
Notes receivable, current portion	-	20
Other	339	245
Totals	$ 685	$ 828

Note 7 - Accrued expenses and other long-term liabilities

Accrued expenses consist of the following (in thousands):

	2019	2018
Wages payable	$ 1,591	$ 1,705
Accrued receipts	1,683	1,271
Other current liabilities	379	401
Totals	$ 3,653	$ 3,377

Accrued receipts represent purchased inventory for which invoices have not been received.

Note 8 - Segment information

The Company aggregates operating divisions into operating segments which have similar economic characteristics primarily in the following areas: (1) the nature of the product and services; (2) the nature of the production process; (3) the type or class of customer for their products and services; (4) the methods used to distribute their products or services; and (5) if applicable, the nature of the regulatory environment. Based upon this evaluation, as of October 31, 2019, the Company had two reportable segments – RF Connector and Cable Assembly (RF Connector) and Custom Cabling Manufacturing and Assembly (Custom Cabling).

During fiscal 2019, the RF Connector segment was comprised of one division, while the Custom Cabling segment was comprised of three divisions. The four divisions that met the quantitative thresholds for segment reporting the were RF Connector and Cable Assembly division, Cables Unlimited, Rel-Tech, and C Enterprises. While each segment had similar products and services, with one major exception, there was little overlapping of these services to their customer base. In addition, sales or product and services for the RF Connector segment was primarily through the distribution channel while the Custom Cabling sales was through a combination of distribution and direct to the end customer.

Management identifies the Company's segments based on strategic business units that are, in turn, based along market lines. These strategic business units offer products and services to different markets in accordance with their customer base and product usage. For segment reporting purposes, the RF Connector and Cable Assembly division constitutes the RF Connector segment, and the Cables Unlimited, Rel-Tech, and C Enterprises divisions constitute the Custom Cabling segment.

As reviewed by the Company's chief operating decision maker, the CEO, the Company evaluates the performance of each segment based on income or loss before income taxes. The Company charges depreciation and amortization directly to each division within the segment. Accounts receivable, inventory, property and equipment, goodwill and intangible assets are the only assets identified by segment. Except as discussed above, the accounting policies for segment reporting are the same for the Company as a whole.

Substantially all of the Company's operations are conducted in the United States; however, the Company derives a portion of its revenue from export sales. The Company attributes sales to geographic areas based on the location of the customers. The following table presents the sales of the Company by geographic area for the years ended October 31, 2019 and 2018 (in thousands):

	2019	2018
United States	$ 54,365	$ 49,534
Foreign Countries:		
Canada	592	547
Mexico	109	39
All Other	259	76
	960	662
Totals	$ 55,325	$ 50,196

Net sales, income from continuing operations before provision for income taxes and other related segment information for the years ended October 31, 2019 and 2018 are as follows (in thousands):

2019	RF Connector and Cable Assembly	Custom Cabling Manufacturing and Assembly	Corporate	Total
Net sales	$ 13,704	$ 41,621	$ -	$ 55,325
Income from continuing operations before provision for income taxes	868	3,591	98	4,557
Depreciation and amortization	170	393	-	563
Total assets	7,081	17,282	13,337	37,700
2018				
Net sales	$ 11,846	$ 38,350	$ -	$ 50,196
Income from continuing operations before provision for income taxes	107	7,340	47	7,494
Depreciation and amortization	172	341	-	513
Total assets	6,529	8,763	17,210	32,502

Note 9 - Income tax provision

Reconciliation of provision (benefit) for income taxes for the years ended October 31, 2019 and 2018 are as follows (in thousands):

	2019	2018
Continuing operations	$ 1,036	$ 1,468
Discontinued operations	-	(41)
Net income	$ 1,036	$ 1,427

The provision (benefit) for income taxes for the fiscal years ended October 31, 2019 and 2018 consists of the following (in thousands):

	2019	2018
Current:		
Federal	$ 859	$ 1,344
State	220	236
	1,079	1,580
Deferred:		
Federal	(25)	(112)
State	(18)	-
	(43)	(112)
	$ 1,036	$ 1,468

Income tax at the federal statutory rate is reconciled to the Company's actual net provision for income taxes as follows (in thousands, except percentages):

	2019		2018	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Income taxes at federal statutory rate	$ 957	21.0%	$ 1,737	38.1%
State tax provision, net of federal tax benefit	160	3.5%	170	3.7%
Nondeductible differences:				
Rel-Tech earn-out	-	0.0%	(6)	-0.1%
Qualified domestic production activities deduction	-	0.0%	(141)	-3.1%
Stock options	21	0.5%	(204)	-4.5%
Meals and entertainment	8	0.2%	8	0.2%
R&D credit	(119)	-2.6%	(111)	-2.4%
ASC 740-10 Liability	21	0.5%	54	1.2%
Tax Cut and Jobs Act	-	0.0%	(34)	-0.7%
Other	(12)	-0.3%	(5)	-0.1%
	$ 1,036	22.8%	$ 1,468	32.3%

The Company's total deferred tax assets and deferred tax liabilities at October 31, 2019 and 2018 are as follows (in thousands):

	2019	2018
Deferred Tax Assets:		
Reserves	$ 172	$ 276
Accrued vacation	97	116
Stock-based compensation awards	87	113
Uniform capitalization	64	78
Other	55	93
Total deferred tax assets	475	676
Deferred Tax Liabilities:		
Amortization / intangible assets	(307)	(544)
Depreciation / equipment and furnishings	(125)	(132)
Total deferred tax liabilities	(432)	(676)
Total net deferred tax assets (liabilities)	$ 43	$ -

On December 22, 2017, the U.S. President signed the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act, among other things, lowered the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. As a result, we previously recorded a provisional estimate of the effect of the Tax Act in our financial statements. In the first quarter of 2019, we completed our analysis to determine the effect of the Tax Act and recorded no additional adjustments as of December 22, 2018.

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has evaluated the available evidence supporting the realization of its gross deferred tax assets, including the amount and timing of future taxable income, and has determined it is more likely than not that the assets will be realized in future tax years.

The provision for income taxes from continuing operations was $1.0 million or 22.7% and $1.5 million or 19.6% of income before income taxes for fiscal 2019 and 2018, respectively. The increase in the effective income tax rate from year to year is primarily driven by the elimination of the benefit from the domestic production activities deduction, the one-time benefit recorded in the prior year related to the reduction in the Company's deferred tax liability due to the change in the federal tax rate, both as a result of the Tax Act, and the impact of share-based compensation excess tax benefits recognized which vary from year to year depending on the Company's share price in each period. The Company recorded income from discontinued operations, net of tax, for fiscal 2018 as disclosed in Note 3.

The Company's adjustments to its uncertain tax positions in fiscal years ended October 31, 2019 and 2018 are as follows:

	2019	2018
Balance, at beginning of year	$ 59	$ -
Increase for tax positions related to the current year	23	24
Increase for tax positions related to prior years	3	29
Increase for interest and penalties	2	6
Statute of Limitations Expirations	(7)	-
Balance, at end of year	$ 80	$ 59

The Company had gross unrecognized tax benefits of $72,000 and $53,000 attributable to its U.S. federal and California research tax credits as of October 31, 2019 and 2018, respectively. During fiscal 2019, the increase in the Company's gross unrecognized tax benefit was primarily related to claiming additional federal and California research tax credits. The uncertain tax benefit is recorded as income taxes payable in the Company's consolidated balance sheet.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. The Company recognized expense of approximately $2,000 and $6,000 during the years ended October 31, 2019 and 2018, respectively.

The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, it is possible that certain changes may occur within the next twelve months, but the Company does not anticipate that its accrual for uncertain tax positions will change by a material amount over the next twelve-month period.

The Company is subject to taxation in the United States and state jurisdictions. The Company's tax years for October 31, 2015 and forward are subject to examination by the United States and October 31, 2014 and forward with state tax authorities.

Note 10 - Stock options

Incentive and non-qualified stock option plans

On March 9, 2010, the Company's Board of Directors adopted the RF Industries, Ltd. 2010 Stock Incentive Plan (the "2010 Plan"). In June 2010, the Company's stockholders approved the 2010 Plan by vote as required by NASDAQ. An aggregate of 1,000,000 shares of common stock was set aside and reserved for issuance under the 2010 Plan. The Company's stockholders approved the issuance of an additional 500,000 shares of common stock at its annual meeting held on September 5, 2014, another 500,000 shares of common stock at its annual meeting held September 4, 2015 and another 1,000,000 shares of common stock at its annual meeting held September 8, 2017. As of October 31, 2019, 1,405,741 shares of common stock were remaining for future grants of stock options under the 2010 Plan.

Additional disclosures related to stock option plans

On December 13, 2017, the Company granted 80,000 incentive stock options to an employee. These options vested 8,000 shares on the date of grant, and the balance vests as to 8,000 shares per year thereafter on each of the next nine anniversaries of December 13, 2017, and expire ten years from date of grant. On December 3, 2018, the Company granted each of two employees 25,000 incentive stock options. These options vested 5,000 each on the date of grant, and the balance vests as to 5,000 shares each per year thereafter on each of the next four anniversaries of December 3, 2018, and expire ten years from the date of grant. On December 3, 2018, the Company also granted one employee 10,000 incentive stock options. These options vested 2,000 shares on the date of grant, and the balance vests as to 2,000 shares per year thereafter on each of the next four anniversaries of December 3, 2018, and expire ten years from the date of grant. On March 8, 2019, the Company granted one employee 25,000 incentive stock options. These options vested 5,000 on the date of grant, and the balance vests as to 5,000 shares per year thereafter on each of the next four anniversaries of March 8, 2019, and expire ten years from the date of grant. No other options were granted to Company employees during fiscal 2019.

The fair value of each option granted in 2019 and 2018 was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	2019	2018
Weighted average volatility	55.42%	46.83%
Expected dividends	0.98%	3.28%
Expected term (in years)	5.9	4.5
Risk-free interest rate	2.86%	1.87%
Weighted average fair value of options granted during the year	$ 3.98	$ 0.82
Weighted average fair value of options vested during the year	$ 6.03	$ 2.64

Expected volatilities are based on historical volatility of the Company's stock price and other factors. The Company used the historical method to calculate the expected life of the 2019 option grants. The expected life represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the U.S. Treasury rate with a maturity date corresponding to the options' expected life. The dividend yield is based upon the historical dividend yield.

Additional information regarding all of the Company's outstanding stock options at October 31, 2019 and 2018 and changes in outstanding stock options in 2019 and 2018 follows:

	2019		2018	
	Shares or Price Per Share	Weighted Average Exercise Price	Shares or Price Per Share	Weighted Average Exercise Price
Outstanding at beginning of year	942,366	$ 3.09	1,159,771	$ 3.19
Options granted	124,097	$ 8.16	269,635	$ 2.44
Options exercised	(171,066)	$ 3.86	(418,955)	$ 2.66
Options canceled or expired	(5,250)	$ 6.82	(68,085)	$ 4.98
Options outstanding at end of year	890,147	$ 3.62	942,366	$ 3.09
Options exercisable at end of year	599,981	$ 3.25	675,033	$ 3.01
Options vested and expected to vest at end of year	889,088	$ 3.63	940,144	$ 3.09
Option price range at end of year	$1.90 - $8.69		$1.90 - $5.88	
Aggregate intrinsic value of options exercised during year	$ 317,827		$ 1,207,148	

Weighted average remaining contractual life of options outstanding as of October 31, 2019: 4.16 years

Weighted average remaining contractual life of options exercisable as of October 31, 2019: 2.62 years

Weighted average remaining contractual life of options vested and expected to vest as of October 31, 2019: 4.15 years

Aggregate intrinsic value of options outstanding at October 31, 2019: $2,340,000

Aggregate intrinsic value of options exercisable at October 31, 2019: $1,735,000

Aggregate intrinsic value of options vested and expected to vest at October 31, 2019: $2,330,000

As of October 31, 2019, $439,000 of expense with respect to nonvested share-based arrangements has yet to be recognized, which is expected to be recognized over a weighted average period of 5.25 years.

Non-employee directors receive $50,000 annually, which is paid one-half in cash and one-half through the grant of non-qualified stock options to purchase shares of the Company’s common stock. During the quarter ended January 31, 2019, the Company granted each of its five non-employee directors 7,203 non-qualified stock options. The options have an exercise price of $8.07 per share. The number of stock options granted to each director was determined by dividing $25,000 by the fair value of a stock option grant using the Black-Scholes model ($3.471 per share). These options vest ratably over fiscal year 2019 and expire five years from the date of grant. Effective November 1, 2018, in addition to the compensation received for serving on the Board of Directors, the Chairman of each committee of the Board will receive $15,000 per year in cash for services rendered as Chairman. On June 7, 2019, a new director joined the Board. The Company granted the new director 3,082 non-qualified stock options with an exercise price of $7.50 per share. The number of stock options granted to this director was determined by dividing $10,000 of compensation (prorated for the period as an active director) by the fair value of a stock option grant using the Black-Scholes model ($3.245 per share). These options vest ratably over fiscal year 2019 and expire five years from the date of grant. No other non-qualified stock options were granted during the fiscal year ended October 31, 2019.

Note 11 - Retirement plan

The Company has a 401(K) plan available to its employees. For the years ended October 31, 2019 and 2018, the Company contributed and recognized as an expense $181,000 and $159,000, respectively, which amount represented 3% of eligible employee earnings under its Safe Harbor Non-elective Employer Contribution Plan.

Note 12 - Related party transactions

On June 15, 2011, the Company purchased Cables Unlimited, Inc., a New York corporation, from Darren Clark, the sole shareholder of Cables Unlimited, Inc. In connection with the purchase of Cables Unlimited, the Company entered into a lease for the New York facilities from which Cables Unlimited conducts its operations. Cables Unlimited's monthly rent expense under the lease is $13,000 per month, plus payments of all utilities, janitorial expenses, routine maintenance costs, and costs of insurance for Cables Unlimited's business operations and equipment. During the fiscal year ended October 31, 2019, the Company paid the landlord a total of $156,000 under the lease. The owner and landlord of the facility is a company controlled by Darren Clark, the former owner of Cables Unlimited and the current President of this subsidiary of the Company.

On October 31, 2018, the Company sold its Comnet Telecom Supply, Inc.("Comnet") subsidiary to RAP Acquisition, Inc. for $4.2 million in cash. RAP Acquisition, Inc. is an affiliate of Robert A. Portera, the founder of Comnet and its President.

Note 13 - Cash dividend and declared dividends

The Company paid quarterly dividends of $0.02 per share during fiscal year 2019 for a total of $748,000. The Company paid quarterly dividends of $0.02 per share during fiscal year 2018 for a total of $730,000.

Note 14 - Commitments

For the year ended October 31, 2019, the Company leased its facilities in San Diego, California, Yaphank, New York, Milford, Connecticut and Vista, California under non-cancelable operating leases. Deferred rent, included in accrued expenses and other long-term liabilities, was $102,000 as of October 31, 2019 and $93,000 as of October 31, 2018. The San Diego and Vista leases also require the payment of the Company's pro rata share of the real estate taxes and insurance, maintenance and other operating expenses related to the facilities.

Rent expense under all operating leases totaled approximately $853,000 and $546,000 in 2019 and 2018, respectively.

Minimum lease payments under these non-cancelable operating leases in each of the years subsequent to October 31, 2019 are as follows (in thousands):

Year ending October 31,	Amount	
2020	$	829
2021		744
2022		465
2023		155
2024		-
Total	$	2,193

Note 15 - Subsequent events

On November 4, 2019, the Company purchased 100% of the voting equity interest of Schroff Technologies International, Inc. ("Schrofftech"), a Rhode Island-based manufacturer and marketer of intelligent thermal control systems used by telecommunications companies across the U.S. and Canada, and shrouds for small cell integration and installation. The Company paid $4,000,000 in cash at the closing, of which $900,000 was deposited into two separate escrow accounts for a period of one year and two years, respectively, as security for any indemnification claims the Company may have against the seller. In addition to the cash paid at the closing, the Company agreed to pay up to an additional $2,400,000 as an earn-out payment if Schrofftech achieves certain adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") targets during the two-year period following the closing. The acquisition is in line with the Company's business strategy to diversify products and solution offerings and customer base.

On November 27, 2019, the Company entered into an agreement for a line of credit ("LOC") in the amount of $5.0 million. Amounts outstanding under the LOC shall bear interest at a rate of 2.0% plus LIBOR Daily Floating Rate ("base interest rate"), with interest payable on the last day of each month. Borrowings under the LOC are secured by a security interest in certain assets of the Company. The LOC contains certain loan covenants as described in the agreement. Failure to maintain the loan covenants shall constitute an event of default resulting in all outstanding amounts of principal and interest becoming immediately due and payable.

On December 13, 2019, the Board of Directors of the Company declared a quarterly dividend of $0.02 per share payable on January 15, 2020 to stockholders of record on December 31, 2019.

Leadership

Directors

Marvin H. Fink
Chairman
Retired Executive

Howard F. Hill
Retired Executive

Joseph Benoit
Retired Executive

Gerald Garland
Retired Executive

Sheryl Cefali
Managing Director
Duff & Phelps

Robert Dawson
President and
Chief Executive Officer

Officers

Robert Dawson
President and
Chief Executive Officer

Peter Yin
Senior Vice President,
Interim Chief Financial Officer and
Corporate Secretary

Stockholder Information

Annual Meeting

The Annual Meeting of Stockholder of RF Industries is scheduled to be held at 11:00 a.m. PDT, Thursday, September 3, 2020 at RF Industries, Ltd., 7610 Miramar Road, Suite 6000, San Diego, California 92126

Investor Relations

Analysts, investors and stockholders seeking additional information about RF Industries are invited to contact:

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Los Angeles CA 91604
Telephone: 323-468-2300
Email: RFIL@mkr-group.com

A copy of the Company's Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission is available without charge on the SEC website, www.sec.gov, or upon request RF Industries, Ltd., 7610 Miramar Road, Suite 6000, San Diego, California 92126

RF Industries on NASDAQ
RF Industries common stock trades on the NASDAQ Global Market under the symbol RFIL.

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