

LITTELFUSE INC /DE
Form 10-Q
August 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 29, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 0-20388

LITTELFUSE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

36-3795742

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

8755 W. Higgins Road, Suite 500

Chicago, Illinois

(Address of principal executive offices) (Zip Code)

60631

(773) 628-1000

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 26, 2013, 22,377,702 shares of common stock, \$.01 par value, of the registrant were outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LITTELFUSE, INC.

Condensed Consolidated Balance Sheets

(In thousands of USD, except share amounts)

	June 29, 2013 (unaudited)	December 29, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 257,672	\$235,404
Short-term investments	8,513	—
Accounts receivable, less allowances	131,122	100,559
Inventories	83,470	75,580
Deferred income taxes	10,964	11,890
Prepaid expenses and other current assets	18,819	16,532
Assets held for sale	5,500	5,500
Total current assets	516,060	445,465
Property, plant and equipment:		
Land	4,054	6,243
Buildings	58,709	54,559
Equipment	346,728	304,954
	409,491	365,756
Accumulated depreciation	(268,358)	(244,845)
Net property, plant and equipment	141,133	120,911
Intangible assets, net of amortization:		
Patents, licenses and software	43,042	11,144
Distribution network	33,033	18,964
Customer lists, trademarks and tradenames	23,159	18,704
Goodwill	185,035	133,592
Investment in unconsolidated affiliate	—	8,666
Other investments	11,274	10,327
Deferred income taxes	2,917	8,090
Other assets	4,162	1,865
Total assets	\$ 959,815	\$777,728

Liabilities and Equity

Current liabilities:		
Accounts payable	\$ 36,641	\$27,226
Accrued payroll	19,329	20,540
Accrued expenses	11,295	11,062
Accrued severance	306	1,033
Accrued income taxes	6,226	11,559
Current portion of long-term debt	138,000	84,000
Total current liabilities	211,797	155,420
Long-term debt, less current portion	95,000	—
Accrued post-retirement benefits	14,925	22,338
Other long-term liabilities	15,406	12,412
Total equity	622,687	587,558
Total liabilities and equity	\$ 959,815	\$777,728

Common shares issued and outstanding of 22,429,930 and 22,029,446, at June 29, 2013, and December 29, 2012, respectively.

See accompanying notes.

LITTELFUSE, INC.**Consolidated Statements of Net Income**

(In thousands of USD, except per share amounts, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net sales	\$187,766	\$175,853	\$358,684	\$336,431
Cost of sales	114,209	106,291	220,521	206,007
Gross profit	73,557	69,562	138,163	130,424
Selling, general and administrative expenses	34,452	31,189	63,654	59,598
Research and development expenses	5,793	4,887	11,508	10,048
Amortization of intangibles	1,930	1,390	3,502	2,858
	42,175	37,466	78,664	72,504
Operating income	31,382	32,096	59,499	57,920
Interest expense	644	421	1,020	844
Impairment and equity in net loss of unconsolidated affiliate	—	1,033	10,678	1,558
Other (income) expense, net	(4,659)	(757)	(5,568)	(656)
Income before income taxes	35,397	31,399	53,369	56,174
Income taxes	8,749	8,436	11,927	15,648
Net income	\$26,648	\$22,963	\$41,442	\$40,526
Net income per share (see Note 9):				
Basic	\$1.19	\$1.05	\$1.87	\$1.86
Diluted	\$1.18	\$1.04	\$1.85	\$1.84
Weighted average shares and equivalent shares outstanding:				
Basic	22,296	21,778	22,197	21,693
Diluted	22,499	22,074	22,431	22,004
Cash dividends paid per common share	\$0.20	\$0.18	\$0.40	\$0.36

See accompanying notes.

LITTELFUSE, INC.**Consolidated Statements of Comprehensive Income**

(In thousands of USD, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2012	June 30, 2012
Net income	\$26,648	\$22,963	\$41,442	\$40,526
Other comprehensive income (loss):				
Pension liability adjustments (net of tax of \$69 and (\$11), for the three months ended 2013 and 2012, and \$172 and \$34 for the six months ended 2013 and 2012, respectively)	(131)	59	(325)	(7)
Unrealized (loss) gain on investments	(540)	1,308	1,078	3,120
Foreign currency translation adjustments	(8,021)	(9,648)	(13,271)	(2,252)
Comprehensive income	\$17,956	\$14,682	\$28,924	\$41,387

See accompanying notes.

LITTELFUSE, INC.**Consolidated Statements of Cash Flows**

(In thousands of USD, unaudited)

	For the Six Months Ended	
	June 29, 2013	June 30, 2012
Operating activities:		
Net income	\$41,442	\$40,526
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,748	12,659
Amortization of intangibles	3,502	2,858
Stock-based compensation	4,562	3,725
Non-cash inventory charge	1,725	205
Excess tax benefit on share-based compensation	(3,494)	(2,246)
Loss on sale of assets	120	60
Impairment and equity in net loss of unconsolidated affiliate	10,678	1,558
Changes in operating assets and liabilities:		
Accounts receivable	(20,246)	(21,679)
Inventories	3,354	(2,150)
Accounts payable	4,655	7,173
Accrued expenses (including post-retirement)	(11,477)	(6,930)
Accrued payroll and severance	(1,725)	(3,163)
Accrued taxes	(7,563)	502
Prepaid expenses and other	724	(521)
Net cash provided by operating activities	39,005	32,577
Investing activities:		
Purchases of property, plant, and equipment	(14,445)	(6,747)
Acquisition of businesses, net of cash acquired	(145,000)	(23,521)
Purchase of investment	—	(10,000)
Purchase of short-term investments	(8,478)	(4,616)
Proceeds from sale of short-term investments	—	12,401
Proceeds from sale of assets	56	441
Net cash used in investing activities	(167,867)	(32,042)
FINANCING activities:		
Proceeds from term loan	100,000	17,000
Proceeds from revolving credit facility	152,000	—
Payments of revolving credit facility	(103,000)	(17,500)
Debt issuance costs paid	(808)	—
Cash dividends paid	(8,865)	(7,806)
Proceeds from exercise of stock options	15,401	10,698

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Excess tax benefit on share-based compensation	3,494	2,246
Net cash provided by financing activities	158,222	4,638
Effect of exchange rate changes on cash and cash equivalents	(7,092)	(371)
Increase in cash and cash equivalents	22,268	4,802
Cash and cash equivalents at beginning of period	235,404	164,016
Cash and cash equivalents at end of period	\$257,672	\$168,818

See accompanying notes.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)**1. Basis of Presentation**

The accompanying unaudited Condensed Consolidated Financial Statements of Littelfuse, Inc. and its subsidiaries (the “company”) have been prepared in accordance with U.S. *Generally Accepted Accounting Principles* (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulations S-X. Accordingly, certain information and disclosures normally included in the consolidated balance sheet, statements of net income and comprehensive income and cash flows prepared in conformity with U.S. GAAP have been condensed or omitted as permitted by such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the period ended June 29, 2013 are not necessarily indicative of the results that may be expected for the year ending December 28, 2013. For further information, refer to the company’s consolidated financial statements and the notes thereto incorporated by reference in the company’s Annual Report on Form 10-K for the year ended December 29, 2012. The company evaluated subsequent events through the date of its financial statements when filed with the Securities and Exchange Commission (“SEC”).

2. Reclassifications and Adjustments

As disclosed in the Annual Report on Form 10-K for the year ended December 29, 2012, the company determined that in late-November 2012 it began to exercise significant influence over Shocking Technologies (“Shocking”). Accordingly, the company began accounting for the investment in Shocking using the equity method and in accordance with ASC 323, retroactively recorded its proportional share of Shocking's operating losses, which amounted to approximately \$4.0 million in 2012. See Note 6 for additional information related to Shocking.

As a result of this retroactive application of the equity method, certain items in the company’s interim results reported on their 2012 Forms 10-Q have been retrospectively restated, as shown in the following tables (in thousands except for per share amounts):

Consolidated Statements of Net Income and Comprehensive Income	For the Three Months ended June 30, 2012			For the Six Months ended June 30, 2012		
	As Previously Reported	Adjustment	As Adjusted	As Previously Reported	Adjustment	As Adjusted
Impairment and equity in net loss of unconsolidated affiliate	\$—	\$ 1,033	\$ 1,033	\$—	\$ 1,558	\$ 1,558

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Income before income taxes	32,432	(1,033)	31,399	57,732	(1,558)	56,174
Income taxes	8,828	(392)	8,436	16,239	(591)	15,648
Net income	23,604	(641)	22,963	41,493		