

LITTELFUSE INC /DE
Form 10-Q
May 01, 2019
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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 March 30, 2019

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES 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 36-3795742
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

8755 West Higgins Road, Suite 500
Chicago, Illinois 60631
(Address of principal executive offices) (ZIP Code)

Registrant's telephone number, including area code: 773-628-1000

Securities registered pursuant to Section 12(b) of the Act:
Name of Each Exchange
Title of Each Class On Which Registered
Common Stock, \$0.01 par value NASDAQ Global Select MarketSM

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 website, 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 a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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 April 29, 2019, the registrant had outstanding 24,726,692 shares of Common Stock, net of Treasury Shares.

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CONDENSED CONSOLIDATED BALANCE SHEETS

| (in thousands) | (Unaudited) | |
|--|-------------------|----------------------|
| | March 30, 2019 | December 29, 2018 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$476,614 | \$489,733 |
| Short-term investments | 33 | 34 |
| Trade receivables, less allowances of \$33,140 and \$36,038 at March 30, 2019 and December 29, 2018, respectively | 237,878 | 232,892 |
| Inventories | 261,659 | 258,228 |
| Prepaid income taxes and income taxes receivable | 758 | 2,339 |
| Prepaid expenses and other current assets | 53,203 | 49,291 |
| Total current assets | 1,030,145 | 1,032,517 |
| Net property, plant, and equipment | 342,334 | 339,894 |
| Intangible assets, net of amortization | 350,421 | 361,474 |
| Goodwill | 825,467 | 826,715 |
| Investments | 24,640 | 25,405 |
| Deferred income taxes | 8,461 | 7,330 |
| Right of use lease assets, net | 24,725 | — |
| Other assets | 18,825 | 20,971 |
| Total assets | \$2,625,018 | \$2,614,306 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$129,092 | \$126,323 |
| Accrued liabilities | 107,214 | 138,405 |
| Accrued income taxes | 23,244 | 20,547 |
| Current portion of long-term debt | 10,000 | 10,000 |
| Total current liabilities | 269,550 | 295,275 |
| Long-term debt, less current portion | 676,510 | 684,730 |
| Deferred income taxes | 52,658 | 51,853 |
| Accrued post-retirement benefits | 31,548 | 31,874 |
| Non-current operating lease liabilities | 19,950 | — |
| Other long-term liabilities | 69,414 | 72,232 |
| Shareholders' equity: | | |
| Common stock, par value \$0.01 per share: 34,000,000 shares authorized; shares issued, March 30, 2019—25,677,535; December 29, 2018—25,641,959 | 254 | 254 |
| Treasury stock, at cost: 950,843 and 868,045 shares, respectively | (130,103) | (116,454) |
| Additional paid-in capital | 842,086 | 835,828 |
| Accumulated other comprehensive loss | (89,851) | (97,924) |
| Retained earnings | 882,871 | 856,507 |
| Littelfuse, Inc. shareholders' equity | 1,505,257 | 1,478,211 |
| Non-controlling interest | 131 | 131 |
| Total equity | 1,505,388 | 1,478,342 |
| Total liabilities and equity | \$2,625,018 | \$2,614,306 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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LITTELFUSE, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME
 (Unaudited)

| (in thousands, except per share data) | Three Months Ended | |
|--|--------------------|----------------|
| | March 30, 2019 | March 31, 2018 |
| Net sales | \$405,500 | \$417,813 |
| Cost of sales | 250,272 | 268,190 |
| Gross profit | 155,228 | 149,623 |
| Selling, general, and administrative expenses | 62,955 | 77,514 |
| Research and development expenses | 21,409 | 22,540 |
| Amortization of intangibles | 10,191 | 11,998 |
| Total operating expenses | 94,555 | 112,052 |
| Operating income | 60,673 | 37,571 |
| Interest expense | 5,686 | 5,423 |
| Foreign exchange loss (gain) | 4,243 | (10,555) |
| Other expense (income), net | 4,305 | (1,943) |
| Income before income taxes | 46,439 | 44,646 |
| Income taxes | 9,450 | 8,617 |
| Net income | \$36,989 | \$36,029 |
| Income per share: | | |
| Basic | \$1.50 | \$1.48 |
| Diluted | \$1.48 | \$1.45 |
| Weighted-average shares and equivalent shares outstanding: | | |
| Basic | 24,717 | 24,339 |
| Diluted | 25,009 | 24,775 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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LITTELFUSE, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

| (in thousands) | Three Months Ended | |
|---|-----------------------|-------------------|
| | March 30, 2019 | March 31, 2018 |
| Net income | \$36,989 | \$36,029 |
| Other comprehensive income (loss): | | |
| Pension and postemployment adjustment, net of tax | (49) | (3) |
| Foreign currency translation adjustments | 8,122 | (276) |
| Comprehensive income | \$45,062 | \$35,750 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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LITTELFUSE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| (in thousands) | Three Months Ended | |
|---|--------------------|-------------------|
| | March 30, 2019 | March 31, 2018 |
| OPERATING ACTIVITIES | | |
| Net income | \$36,989 | \$36,029 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 13,088 | 11,614 |
| Amortization of intangibles | 10,191 | 11,998 |
| Non-cash inventory charges | — | 17,896 |
| Stock-based compensation | 3,966 | 8,714 |
| Loss (gain) on investments and other assets | 2,810 | (1,864) |
| Deferred income taxes | (72) | 842) |
| Other | 5,393 | 86 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (5,800) | (8,417) |
| Inventories | (3,250) | (269) |
| Accounts payable | (8,499) | 2,990 |
| Accrued liabilities and income taxes | (27,170) | (7,208) |
| Prepaid expenses and other assets | 3,273 | (3,143) |
| Net cash provided by operating activities | 30,919 | 69,268 |
| INVESTING ACTIVITIES | | |
| Acquisitions of businesses, net of cash acquired | (775) | (306,487) |
| Purchases of property, plant, and equipment | (14,076) | (17,909) |
| Proceeds from sale of property, plant, and equipment | 607 | 19 |
| Net cash used in investing activities | (14,244) | (324,377) |
| FINANCING ACTIVITIES | | |
| Proceeds of revolving credit facility | — | 50,000 |
| Proceeds of term loan | — | 75,000 |
| Net proceeds from senior notes payable | — | 175,000 |
| Payments of term loan | (5,000) | (2,500) |
| Payments of revolving credit facility | — | (47,000) |
| Net proceeds (payments) related to stock-based award activities | 2,198 | (116) |
| Purchases of common stock | (17,906) | — |
| Debt issuance costs | — | (878) |
| Cash dividends paid | (10,625) | (9,198) |
| Net cash (used in) provided by financing activities | (31,333) | 240,308 |
| Effect of exchange rate changes on cash and cash equivalents | 1,539 | (2,417) |
| Decrease in cash and cash equivalents | (13,119) | (17,218) |
| Cash and cash equivalents at beginning of period | 489,733 | 429,676 |
| Cash and cash equivalents at end of period | \$476,614 | \$412,458 |
| Supplemental disclosure of non-cash investing activities: | | |
| Fair value of commitment to purchase non-controlling interest of Monolith | \$— | \$9,000 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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LITTELFUSE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

| (in thousands, except share and per share data) | Littelfuse, Inc. Shareholders' Equity | | | | | | Total |
|---|---------------------------------------|-----------------------|----------------|-------------------------|-------------------|--------------------------|-------------|
| | Common Stock | Addl. Paid in Capital | Treasury Stock | Other Comp. Inc. (Loss) | Retained Earnings | Non-controlling Interest | |
| Balance at December 29, 2018 | \$254 | \$835,828 | \$(116,454) | \$(97,924) | \$856,507 | \$ 131 | \$1,478,342 |
| Net income | — | — | — | — | 36,989 | — | 36,989 |
| Pension and postemployment adjustments, net of tax | — | — | — | (49) | — | — | (49) |
| Foreign currency translation adjustments | — | — | — | 8,122 | — | — | 8,122 |
| Other comprehensive income, net of tax | — | — | — | 8,073 | — | — | 8,073 |
| Stock-based compensation | — | 3,966 | — | — | — | — | 3,966 |
| Withheld shares on restricted share units for withholding taxes | — | — | (94) | — | — | — | (94) |
| Stock options exercised | — | 2,292 | — | — | — | — | 2,292 |
| Repurchases of common stock | — | — | (13,555) | — | — | — | (13,555) |
| Cash dividends paid (\$0.43 per share) | — | — | — | — | (10,625) | — | (10,625) |
| Balance at March 30, 2019 | \$254 | \$842,086 | \$(130,103) | \$(89,851) | \$882,871 | \$ 131 | \$1,505,388 |

| (in thousands, except share and per share data) | Littelfuse, Inc. Shareholders' Equity | | | | | | Total |
|---|---------------------------------------|-----------------------|----------------|-------------------------|-------------------|--------------------------|-------------|
| | Common Stock | Addl. Paid in Capital | Treasury Stock | Other Comp. Inc. (Loss) | Retained Earnings | Non-controlling Interest | |
| Balance at December 30, 2017 | \$229 | \$310,012 | \$(41,294) | \$(63,668) | \$722,140 | \$ 137 | \$927,556 |
| Net income | — | — | — | — | 36,029 | — | 36,029 |
| Pension and postemployment adjustments, net of tax | — | — | — | (3) | — | — | (3) |
| Unrealized gain (loss) on investments | — | — | — | (9,795) | 9,795 | — | — |
| Foreign currency translation adjustments | — | — | — | (276) | — | — | (276) |
| Other comprehensive income, net of tax | — | — | — | (10,074) | 9,795 | — | (279) |
| Stock-based compensation | — | 8,714 | — | — | — | — | 8,714 |
| Withheld shares on restricted share units for withholding taxes | — | — | (2,758) | — | — | — | (2,758) |
| Stock options exercised | — | 9,609 | — | — | — | — | 9,609 |
| Issuance of common stock | 22 | 472,279 | — | — | — | — | 472,301 |
| Cash dividends paid (\$0.37 per share) | — | — | — | — | (9,198) | — | (9,198) |
| Balance at March 31, 2018 | \$251 | \$800,614 | \$(44,052) | \$(73,742) | \$758,766 | \$ 137 | \$1,441,974 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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Notes to Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies and Other Information

Nature of Operations

Littelfuse, Inc. and subsidiaries (the “Company”) is a global manufacturer of leading technologies in circuit protection, power control and sensing. The company's products are found in automotive and commercial vehicles, industrial applications, data and telecommunications, medical devices, consumer electronics and appliances. With its broad product portfolio of fuses, semiconductors, polymers, ceramics, relays and sensors, and extensive global infrastructure, the Company’s worldwide associates partner with its customers to design, manufacture and deliver innovative, high-quality solutions for a safer, greener and increasingly connected world.

Basis of Presentation

The Company’s accompanying unaudited Condensed Consolidated Financial Statements 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 Regulation S-X. Accordingly, certain information and disclosures normally included in the consolidated balance sheets, statements of net income and comprehensive income, statements of cash flows, and statement of stockholders' equity prepared in conformity with U.S. GAAP have been condensed or omitted as permitted by such rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. They have been prepared in accordance with accounting policies described in the Company’s Annual Report on Form 10-K for the fiscal year ended December 29, 2018 which should be read in conjunction with the disclosures therein. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. Operating results for interim periods are not necessarily indicative of annual operating results.

Revenue Recognition

On December 31, 2017, the Company adopted new guidance on revenue from contracts with customers using the modified retrospective method. The adoption did not have a significant impact on the Company’s consolidated financial statements.

Revenue Disaggregation

The following tables disaggregate the Company’s revenue by primary business units for the three months ended March 30, 2019 and March 31, 2018 :

| (in thousands) | Three Months Ended March 30, 2019 | | | |
|--|-----------------------------------|--------------------|--------------------|------------|
| | Electronics Segment | Automotive Segment | Industrial Segment | Total |
| Electronics – Passive Products and Sensors | \$ 108,377 | \$ — | \$ — | \$ 108,377 |
| Electronics – Semiconductor | 157,017 | — | — | 157,017 |
| Passenger Car Products | — | 56,543 | — | 56,543 |
| Automotive Sensors | — | 26,057 | — | 26,057 |
| Commercial Vehicle Products | — | 30,883 | — | 30,883 |
| Industrial Products | | | 26,623 | 26,623 |
| Total | \$ 265,394 | \$ 113,483 | \$ 26,623 | \$ 405,500 |

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| (in thousands) | Three Months Ended March 31, 2018 | | | |
|--|-----------------------------------|--------------------|--------------------|------------|
| | Electronics Segment | Automotive Segment | Industrial Segment | Total |
| Electronics – Passive Products and Sensors | \$ 114,495 | \$ — | \$ — | \$ 114,495 |
| Electronics – Semiconductor | 149,916 | — | — | 149,916 |
| Passenger Car Products | — | 63,580 | — | 63,580 |
| Automotive Sensors | — | 31,323 | — | 31,323 |
| Commercial Vehicle Products | — | 31,228 | — | 31,228 |
| Industrial Products | — | — | 27,271 | 27,271 |
| Total | \$ 264,411 | \$ 126,131 | \$ 27,271 | \$ 417,813 |

See Note 16, Segment Information for net sales by segment and countries.

Revenue Recognition

The Company recognizes revenue on product sales in the period in which the Company satisfies its performance obligation and control of the product is transferred to the customer. The Company's sales arrangements with customers are predominately short term in nature and generally provide for transfer of control at the time of shipment as this is the point at which title and risk of loss of the product transfers to the customer. At the end of each period, for those shipments where title to the products and the risk of loss and rewards of ownership do not transfer until the product has been received by the customer, the Company adjusts revenues and cost of sales for the delay between the time that the products are shipped and when they are received by the customer. The amount of revenue recorded reflects the consideration to which the Company expects to be entitled in exchange for goods and may include adjustments for customer allowance, rebates and price adjustments. The Company's distribution channels are primarily through direct sales and independent third-party distributors.

The Company elected the practical expedient under Accounting Standards Codification ("ASC") 340-40-25-4 to expense commissions when incurred as the amortization period of the commission asset the Company would have otherwise recognized is less than one year.

Revenue and Billing

The Company generally accepts orders from customers through receipt of purchase orders or electronic data interchange based on written sales agreements and purchasing contracts. Contract pricing and selling agreement terms are based on market factors, costs, and competition. Pricing is often negotiated as an adjustment (premium or discount) from the Company's published price lists. The customer is invoiced when the Company's products are shipped to them in accordance with the terms of the sales agreement. As the Company's standard payment terms are less than one year, the Company elected the practical expedient under ASC 606-10-32-18 to not assess whether a contract has a significant financing component. The Company also elected the practical expedient provided in ASC 606-10-25-18B to treat all product shipping and handling activities as fulfillment activities, and therefore recognize the gross revenue associated with the contract, inclusive of any shipping and handling revenue. This is similar to the Company's prior practice and therefore the effect of the new guidance is immaterial.

Ship and Debit Program

Some of the terms of the Company's sales agreements and normal business conditions provide customers (distributors) the ability to receive price adjustments on products previously shipped and invoiced. This practice is common in the industry and is referred to as a "ship and debit" program. This program allows the distributor to debit the Company for the difference between the distributors' contracted price and a lower price for specific transactions. Under certain

circumstances (usually in a competitive situation or large volume opportunity), a distributor will request authorization for pricing allowances to reduce its price. When the Company approves such a reduction, the distributor is authorized to “debit” its account for the difference between the contracted price and the lower approved price. The Company establishes reserves for this program based on historic activity and actual authorizations for the debit and recognizes these debits as a reduction of revenue.

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Return to Stock

The Company has a return to stock policy whereby certain customers, with prior authorization from Littelfuse management, can return previously purchased goods for full or partial credit. The Company establishes an estimated allowance for these returns based on historic activity. Sales revenue and cost of sales are reduced to anticipate estimated returns.

Volume Rebates

The Company offers volume based sales incentives to certain customers to encourage greater product sales. If customers achieve their specific quarterly or annual sales targets, they are entitled to rebates. The Company estimates the projected amount of rebates that will be achieved by the customer and recognizes this estimated cost as a reduction to revenue as products are sold.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, "Leases" (Topic 842), ("ASC 842"). This ASU requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases of greater than twelve months. The accounting by lessors will remain largely unchanged. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Adoption requires using a modified retrospective transition with either 1) periods prior to the adoption date being recast or 2) a cumulative-effect adjustment recognized to the opening balance of retained earnings on the adoption date with prior periods not recast.

The Company adopted the standard on December 30, 2018 using alternative modified retrospective transition method provided in ASU No. 2018-11, "Leases (Topic 842): Target Improvements." Under this method, the Company recorded a cumulative-effect adjustment as of December 30, 2018 and did not record any retrospective adjustments to comparative periods to reflect the adoption of ASC 842. The new standard provides a number of optional practical expedients in transition. The Company has elected the ‘package of practical expedients’ which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. The Company has not elected the use-of-hindsight. Adoption of ASC 842 resulted in the recognition of operating lease right-of-use assets ("ROU") net of deferred rent of \$26.1 million and lease liabilities of \$29.4 million, as of December 30, 2018 for operating leases on its Condensed Consolidated Balance Sheets, with no impact to its Condensed Consolidated Statements of Net Income and no impact on Condensed Consolidated Statements of Cash Flow. See Note 6, Lease Commitments, for further discussion.

In February 2018, the FASB issued ASU No. 2018-02 “Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” which permits the reclassification of tax effects stranded in accumulated other comprehensive income to retained earnings as a result of the Tax Act. The standard also requires entities to disclose whether or not they elected to reclassify the tax effects related to the Tax Act as well as their policy for releasing income tax effects from accumulated other comprehensive income. The standard allows the option of applying either a retrospective adoption, meaning the standard is applied to all periods in which the effect of the Tax Act is recognized, or applying the amendments in the period of adoption, meaning an adjustment is made to shareholder’s equity as of the beginning of the reporting period. The Company adopted the new standard on December 30, 2018. The adoption of this guidance did not have a material effect on our Condensed Consolidated Financial Statements.

2. Acquisitions

The Company accounts for acquisitions using the acquisition method in accordance with ASC 805, “Business Combinations,” in which assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition. The operating results of the acquired business are included in the Company’s Consolidated Financial Statements from the date of the acquisition.

IXYS Corporation

On January 17, 2018, the Company acquired IXYS Corporation (“IXYS”), a global pioneer in the power semiconductor and integrated circuit markets with a focus on medium to high voltage power control semiconductors across the industrial, communications, consumer and medical markets. IXYS has a broad customer base, serving more than 3,500 customers through its direct sales force and global distribution partners. The acquisition of IXYS is expected to accelerate the Company’s growth across the power control market driven by IXYS’s extensive power semiconductor portfolio and technology expertise. With IXYS, the Company will be able to diversify and expand its presence within industrial electronics markets, leveraging the strong IXYS

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industrial OEM customer base. The Company also expects to increase long-term penetration of its power semiconductor portfolio in automotive markets, expanding its global content per vehicle.

Upon completion of the acquisition, at IXYS stockholders' election and subject to proration, each share of IXYS common stock, par value \$0.01 per share, owned immediately prior to the effective time was canceled and extinguished and automatically converted into the right to receive: (i) \$23.00 in cash (subject to applicable withholding tax), without interest (referred to as the cash consideration), or (ii) 0.1265 of a share of common stock, par value \$0.01 per share, of Littelfuse (referred to as the stock consideration). IXYS stockholders received cash in lieu of any fractional shares of Littelfuse common stock that the IXYS stockholders would otherwise have been entitled to receive. Additionally, each outstanding option to purchase shares of IXYS common stock granted under an IXYS equity plan were assumed by Littelfuse and converted into an option to acquire (i) a number of shares of Littelfuse common stock equal to the number of shares of IXYS common stock subject to such option immediately prior to the effective time multiplied by 0.1265, rounded down to the nearest whole share, with (ii) an exercise price per share of Littelfuse common stock equal to the exercise price of such IXYS stock option immediately prior to the effective time divided by 0.1265, rounded up to the nearest whole cent.

Based on the \$207.5 per share opening price of Littelfuse common stock on January 17, 2018, the consideration IXYS stockholders received in exchange of their IXYS common stock in the acquisition had a value of \$814.8 million comprised of \$380.6 million of cash and \$434.2 million of Littelfuse stock. In addition to the consideration transferred related to IXYS common stock, the value of consideration transferred, and included in the purchase price, related to IXYS stock options that were converted to Littelfuse stock options, or cash settled, had a value of \$41.7 million. As a result, total consideration was valued at \$856.5 million.

The total purchase price of \$856.5 million has been allocated to assets acquired and liabilities assumed, as of the completion of the acquisition, based on estimated fair values. The following table summarizes the purchase price allocation of the fair value of assets acquired and liabilities assumed in the IXYS acquisition:

| (in thousands) | Purchase Price Allocation |
|---|---------------------------------|
| Total purchase consideration: | |
| Cash, net of cash acquired | \$302,865 |
| Cash settled stock options | 3,622 |
| Littelfuse stock | 434,192 |
| Converted stock options | 38,109 |
| Total purchase consideration | \$778,788 |
| Allocation of consideration to assets acquired and liabilities assumed: | |
| Current assets, net | \$155,930 |
| Property, plant, and equipment | 77,442 |
| Intangible assets | 212,720 |
| Goodwill | 382,360 |
| Other non-current assets | 28,706 |
| Other non-current liabilities | (78,370) |
| | \$778,788 |

Approximately \$49.1 million of net receivables was included in IXYS's current assets. All IXYS goodwill, other assets and liabilities were recorded in the Electronics segment and primarily reflected in the Americas and European geographic areas. The goodwill resulting from this acquisition consists largely of the Company's expected future

product sales and synergies from combining IXYS's products and technology with the Company's existing electronics product portfolio. Goodwill resulting from the IXYS acquisition is not expected to be deductible for tax purposes.

During the three months ended March 31, 2018, the Company recognized a charge of \$17.9 million for the amortization of the fair value inventory step-up. The step-up was a non-cash charge to cost of goods and reflected as other non-segment costs. The Company recognized approximately \$5.9 million of stock compensation expense related to IXYS stock options converted to Littelfuse stock options during the three months ended March 31, 2018 of which \$4.5 million was recognized immediately as it related to prior services periods.

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During the three months ended March 31, 2018, the Company incurred approximately \$10.2 million of legal and professional fees related to this acquisition which were primarily recognized as selling, general, and administrative expenses. These costs were reflected as other non-segment costs.

Pro Forma Results

The following table summarizes, on a pro forma basis, the combined results of operations of the Company and IXYS as though the acquisition had occurred as of January 1, 2017. The pro forma amounts presented are not necessarily indicative of either the actual consolidated results had the IXYS acquisition occurred as of January 1, 2017 or of future consolidated operating results.

| (in thousands, except per share amounts) | Three Months Ended March 31, 2018 |
|--|---|
| Net sales | \$434,526 |
| Income before income taxes | 81,924 |
| Net income | 63,933 |
| Net income per share — basic | 2.57 |
| Net income per share — diluted | 2.53 |

Pro forma results presented above primarily reflect the following adjustments:

| (in thousands) | Three Months Ended March 31, 2018 |
|--------------------------------------|--|
| Amortization(a) | \$1,902 |
| Transaction costs(b) | 9,976 |
| Amortization of inventory step-up(c) | 17,896 |
| Stock compensation(d) | 4,479 |
| Income tax impact of above items | (7,701) |

The amortization adjustment for the three months ended March 31, 2018 primarily reflects the reduction of (a) amortization expense in the period related to the Order backlog intangible asset. The Order backlog has a useful life of twelve months and was fully amortized in the fiscal 2017 pro forma results.

(b) The transaction cost adjustments reflect the reversal of certain bank and attorney fees from the three months ended March 31, 2018 and recognition of those fees during the three months ended April 1, 2017.

(c) The amortization of inventory step-up adjustment reflects the reversal of the amount recognized during the three months ended March 31, 2018 and recognition of those fees during the three months ended April 1, 2017. The inventory step-up was amortized over five months as the inventory was sold.

(d) The stock compensation adjustment reflects the reversal of the portion of stock compensation for IXYS stock options that were converted to Littelfuse stock options and expensed immediately during the three months ended March 31, 2018.

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3. Inventories

The components of inventories at March 30, 2019 and December 29, 2018 are as follows:

| (in thousands) | March 30 2019 | December 29 2018 |
|-----------------|------------------|---------------------|
| Raw materials | \$75,949 | \$ 69,883 |
| Work in process | 90,538 | 88,505 |
| Finished goods | 95,172 | 99,840 |
| Total | \$261,659 | \$ 258,228 |

4. Property, Plant, and Equipment

The components of net property, plant, and equipment at March 30, 2019 and December 29, 2018 are as follows:

| (in thousands) | March 30 2019 | December 29 2018 |
|---|------------------|---------------------|
| Land | \$25,607 | \$ 25,630 |
| Building | 114,506 | 114,636 |
| Equipment | 599,254 | 583,043 |
| Accumulated depreciation and amortization | (397,033) | (383,415) |
| Total | \$342,334 | \$ 339,894 |

The Company recorded depreciation expense of \$13.1 million and \$11.6 million for the three months ended March 30, 2019 and March 31, 2018, respectively.

5. Goodwill and Other Intangible Assets

The amounts for goodwill and changes in the carrying value by segment for the three months ended March 30, 2019 are as follows:

| (in thousands) | Electronics | Automotive | Industrial | Total |
|-------------------------|-------------|------------|------------|-----------|
| As of December 29, 2018 | \$656,039 | \$ 132,332 | \$ 38,344 | \$826,715 |
| Currency translation | (1,400) | 102 | 50 | (1,248) |
| As of March 30, 2019 | \$654,639 | \$ 132,434 | \$ 38,394 | \$825,467 |

The components of other intangible assets at March 30, 2019 are as follows:

| (in thousands, except weighted average useful life) | Weighted Average Useful Life (Years) | Gross Carrying Value | Accumulated Amortization | Net Book Value |
|---|--|----------------------------|-----------------------------|-------------------|
| Patents, licenses and software | 11.1 | \$138,951 | \$ 72,219 | \$66,732 |
| Distribution network | 12.3 | 43,797 | 35,049 | 8,748 |
| Customer relationships, trademarks, and tradenames | 17.2 | 374,204 | 99,263 | 274,941 |
| Total | | \$556,952 | \$ 206,531 | \$350,421 |

During the three months ended March 30, 2019 and March 31, 2018, the Company recorded amortization expense of \$10.2 million and \$12.0 million, respectively, for intangible assets with definite lives.

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Estimated annual amortization expense related to intangible assets with definite lives as of March 30, 2019 is as follows:

| (in thousands) | Amount |
|---------------------|-----------|
| 2019 | \$49,524 |
| 2020 | 38,776 |
| 2021 | 36,930 |
| 2022 | 35,884 |
| 2023 | 30,423 |
| 2024 and thereafter | 169,075 |
| Total | \$360,612 |

6. Lease Commitments

The Company leases office and production space under various non-cancelable operating leases that expire no later than 2025. Certain real estate leases include one or more options to renew. The exercise of lease renewal options is at the Company's sole discretion. Options to extend the lease are included in the lease term when it is reasonably certain the Company will exercise the option. The Company also has production equipment, office equipment and vehicles under operating leases. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option that is reasonably certain of exercise. Certain leases include rental payments adjusted periodically for inflation. The lease agreements do not contain any material residual value guarantee or material restrictive covenants.

The Company does not have a published credit rating because it has no publicly traded debt; therefore, the Company is generating its incremental borrowing rate (IBR), using a synthetic credit rating model that compares its credit quality to other rated companies based on certain financial metrics and ratios. The reference rate will be based on the yield curve of companies with similar credit quality based on the metrics and adjusted for currency in regions where we have significant operations.

All leases with an initial term of 12 months or less that do not include an option to extend or purchase the underlying asset that the Company is reasonably certain to exercise ("short-term leases") are not recorded on the Condensed Consolidated Balance Sheet. Short-term lease expenses are recognized on a straight-line basis over the lease term.

The following table presents the classification of ROU assets and lease liabilities as of March 30, 2019:

| Leases (in thousands) | Condensed Consolidated Balance Sheet Classification | March 30, 2019 |
|---|---|-------------------|
| Assets | | |
| Operating ROU assets | Right of use lease assets, net | \$ 24,725 |
| Liabilities | | |
| Current operating lease liabilities | Accrued liabilities | \$ 7,447 |
| Non-current operating lease liabilities | Non-current operating lease liabilities | 19,950 |
| Total lease liabilities | | \$ 27,397 |

The following table represents the lease costs for the three months ended March 30, 2019:

| Leases cost (in thousands) | Condensed Consolidated Statements of Net Income Classification | March 30, 2019 |
|-------------------------------|--|-------------------|
| Short-term lease expenses | Cost of sales, SG&A expenses | \$ 153 |

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| | | |
|-------------------------------|------------------------------|----------|
| Variable lease expenses | Cost of sales, SG&A expenses | 194 |
| Operating lease rent expenses | Cost of sales, SG&A expenses | 2,193 |
| Total operating lease costs | Cost of sales, SG&A expenses | \$ 2,540 |

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| | |
|--|---------------------|
| Maturity of Lease Liabilities as of March 30, 2019 (in thousands) | Operating leases |
| 2019 (excluding the three months ended March 30, 2019) | \$ 6,574 |
| 2020 | 7,551 |
| 2021 | 5,779 |
| 2022 | 4,665 |
| 2023 | 3,062 |
| 2024 and thereafter | 3,064 |
| Total lease payments | \$ 30,695 |

Present value of lease Liabilities \$ 27,397

| | |
|---|-------------------|
| Operating Lease Term and Discount Rate | March 30, 2019 |
| Weighted-average remaining lease term (years) | 4.40 |
| Weighted-average discount rate | 5.17 % |

| | |
|--|--------------------------------------|
| Other Information (in thousands) | Three Months Ended March 30, 2019 |
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flow payments for operating leases | \$ (2,253) |
| Leased assets obtained in exchange for operating lease liabilities | 859 |

7. Accrued Liabilities

The components of accrued liabilities at March 30, 2019 and December 29, 2018 are as follows:

| | | |
|------------------------------|-------------------|----------------------|
| (in thousands) | March 30, 2019 | December 29, 2018 |
| Employee-related liabilities | \$ 38,479 | \$ 60,640 |
| Other non-income taxes | 25,379 | 21,523 |
| Operating lease liability | 7,447 | — |
| Professional services | 5,395 | 6,169 |
| Interest | 2,487 | 5,137 |
| Accrued share repurchases | — | 4,349 |
| Restructuring liability | 2,144 | 3,887 |
| Other | 25,883 | 36,700 |
| Total | \$ 107,214 | \$ 138,405 |

Employee-related liabilities consist primarily of payroll, sales commission, bonus, employee benefit accruals and workers' compensation. Bonus accruals include amounts earned pursuant to the Company's primary employee incentive compensation plans. Other accrued liabilities include miscellaneous operating accruals and other

client-related liabilities.

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8. Restructuring, Impairment and Other Charges

The Company recorded restructuring, impairment and other charges-net for three months ended March 30, 2019 and March 31, 2018 as follows:

| (in thousands) | Three months ended March 30, 2019 | | | |
|-----------------------------|-----------------------------------|------------|------------|----------|
| | Electronics | Automotive | Industrial | Total |
| Employee terminations | \$ 1,800 | \$ 605 | \$ 47 | \$ 2,452 |
| Other restructuring charges | 13 | 20 | 250 | 283 |
| Total restructuring charges | \$ 1,813 | \$ 625 | \$ 297 | \$ 2,735 |

| (in thousands) | Three months ended March 31, 2018 | | | |
|-----------------------------|-----------------------------------|------------|------------|--------|
| | Electronics | Automotive | Industrial | Total |
| Employee terminations | \$ 677 | \$ 99 | \$ 3 | \$ 779 |
| Total restructuring charges | \$ 677 | \$ 99 | \$ 3 | \$ 779 |

2019

For the three months ended March 30, 2019, the Company recorded total restructuring charges of \$2.7 million, of which \$2.5 million was for employee termination costs and \$0.3 million for other restructuring charges. These charges primarily related to reorganization of operations and selling, general and administrative functions as well as integration of IXYS within the Electronics segment and the reorganization of operations in the commercial vehicle products and automotive sensors businesses within the Automotive segment.

In April 2019, we announced the closure of a European manufacturing facility in the automotive sensors business within the Automotive segment. The Company estimates the restructuring costs associated with this plant closure to be approximately \$5.0 million to \$7.0 million.

2018

For the three months ended March 31, 2018, the Company recorded total restructuring charges of \$0.8 million for employee termination costs mainly related to the Electronics segment.

The restructuring reserves as of March 30, 2019 and December 29, 2018 are \$2.1 million and \$3.9 million, respectively. The restructuring reserves are included within accrued liabilities in the Condensed Consolidated Balance Sheets. The Company anticipates the remaining payments associated with employee terminations will be completed in the second quarter of fiscal year 2019.

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9. Debt

The carrying amounts of debt at March 30, 2019 and December 29, 2018 are as follows:

| (in thousands) | March 30, 2019 | December 29, 2018 |
|--------------------------------------|-------------------|----------------------|
| Term Loan | \$ 150,000 | \$ 155,000 |
| Euro Senior Notes, Series A due 2023 | 131,499 | 133,417 |
| Euro Senior Notes, Series B due 2028 | 106,772 | 108,330 |
| U.S. Senior Notes, Series A due 2022 | 25,000 | 25,000 |
| U.S. Senior Notes, Series B due 2027 | 100,000 | 100,000 |
| U.S. Senior Notes, Series A due 2025 | 50,000 | 50,000 |
| U.S. Senior Notes, Series B due 2030 | 125,000 | 125,000 |
| Other | 2,619 | 2,619 |
| Unamortized debt issuance costs | (4,380) | (4,636) |
| Total debt | 686,510 | 694,730 |
| Less: Current maturities | (10,000) | (10,000) |
| Total long-term debt | \$ 676,510 | \$ 684,730 |

Revolving Credit Facility / Term Loan

On March 4, 2016, the Company entered into a five-year credit agreement (“Credit Agreement”) with a group of lenders for up to \$700.0 million. The Credit Agreement consisted of an unsecured revolving credit facility (“Revolving Credit Facility”) of \$575.0 million and an unsecured term loan credit facility (“Term Loan”) of up to \$125.0 million. In addition, the Company had the ability, from time to time, to increase the size of the Revolving Credit Facility and the Term Loan by up to an additional \$150.0 million, in the aggregate, in each case in minimum increments of \$25.0 million, subject to certain conditions and the agreement of participating lenders.

On October 13, 2017, the Company amended the Credit Agreement to increase the Revolving Credit Facility from \$575.0 million to \$700.0 million and increase the Term Loan from \$125.0 million to \$200.0 million and to extend the expiration date from March 4, 2021 to October 13, 2022. The Credit Agreement also includes the option for the Company to increase the size of the Revolving Credit Facility and the Term Loan by up to an additional \$300.0 million, in the aggregate, subject to the satisfaction of certain conditions set forth in the Credit Agreement. Term Loans may be made in up to two advances. The first advance of \$125.0 million occurred on October 13, 2017 and the second advance of \$75.0 million occurred on January 16, 2018. For the Term Loan, the Company is required to make quarterly principal payments of 1.25% of the original term loan (\$2.5 million with the second advance on January 16, 2018) through maturity, with the remaining balance due on October 13, 2022. The Company paid quarterly principal payments of \$5.0 million on the term loan during the three months ended March 30, 2019.

Outstanding borrowings under the Credit Agreement bear interest, at the Company’s option, at either LIBOR, fixed for interest periods of one, two, three or six-month periods, plus 1.00% to 2.00%, or at the bank’s Base Rate, as defined, plus 0.00% to 1.00%, based upon the Company’s Consolidated Leverage Ratio, as defined. The Company is also required to pay commitment fees on unused portions of the credit agreement ranging from 0.15% to 0.25%, based on the Consolidated Leverage Ratio, as defined in the agreement. The credit agreement includes representations, covenants and events of default that are customary for financing transactions of this nature. The effective interest rate on outstanding borrowings under the credit facility was 3.75% at March 30, 2019.

As of March 30, 2019, the Company had \$0.1 million outstanding in letters of credit and had available \$699.9 million of borrowing capacity under the Revolving Credit Facility. At March 30, 2019, the Company was in compliance with

all covenants under the Credit Agreement.

Senior Notes

On December 8, 2016, the Company entered into a Note Purchase Agreement, pursuant to which the Company issued and sold €212 million aggregate principal amount of senior notes in two series. The funding date for the Euro denominated senior notes occurred on December 8, 2016 for €117 million in aggregate amount of 1.14% Senior Notes, Series A, due December 8, 2023

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(“Euro Senior Notes, Series A due 2023”), and €95 million in aggregate amount of 1.83% Senior Notes, Series B due December 8, 2028 (“Euro Senior Notes, Series B due 2028”) (together, the “Euro Senior Notes”). Interest on the Euro Senior Notes is payable semiannually on June 8 and December 8, commencing June 8, 2017.

On December 8, 2016, the Company entered into a Note Purchase Agreement, pursuant to which the Company issued and sold \$125 million aggregate principal amount of senior notes in two series. On February 15, 2017, \$25 million in aggregate principal amount of 3.03% Senior Notes, Series A, due February 15, 2022 (“U.S. Senior Notes, Series A due 2022”), and \$100 million in aggregate principal amount of 3.74% Senior Notes, Series B, due February 15, 2027 (“U.S. Senior Notes, Series B due 2027”) (together, the “U.S. Senior Notes due 2022 and 2027”) were funded. Interest on the U.S. Senior Notes due 2022 and 2027 is payable semiannually on February 15 and August 15, commencing August 15, 2017.

On November 15, 2017, the Company entered into a Note Purchase Agreement pursuant to which the Company issued and sold \$175 million in aggregate principal amount of senior notes in two series. On January 16, 2018, \$50 million aggregate principal amount of 3.48% Senior Notes, Series A, due February 15, 2025 (“U.S. Senior Notes, Series A due 2025”) and \$125 million in aggregate principal amount of 3.78% Senior Notes, Series B, due February 15, 2030 (“U.S. Senior Notes, Series B due 2030”) (together the “U.S. Senior Notes due 2025 and 2030” and with the Euro Senior Notes and the U.S. Senior Notes due 2022 and 2027, the “Senior Notes”) were funded. Interest on the U.S. Senior Notes due 2025 and 2030 is payable semiannually on February 15 and August 15, commencing on August 15, 2018.

The Senior Notes have not been registered under the Securities Act, or applicable state securities laws. The Senior Notes are general unsecured senior obligations and rank equal in right of payment with all existing and future unsecured unsubordinated indebtedness of the Company.

The Senior Notes are subject to certain customary covenants, including limitations on the Company’s ability, with certain exceptions, to engage in mergers, consolidations, asset sales and transactions with affiliates, to engage in any business that would substantially change the general business of the Company, and to incur liens. In addition, the Company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage and leverage. At March 30, 2019, the Company was in compliance with all covenants under the Senior Notes.

The Company may redeem the Senior Notes upon the satisfaction of certain conditions and the payment of a make-whole amount to noteholders, and are required to offer to repurchase the Senior Notes at par following certain events, including a change of control.

Interest paid on all Company debt was \$8.0 million and \$4.0 million in the three months ended March 30, 2019 and March 31, 2018, respectively.

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10. Fair Value of Assets and Liabilities

For assets and liabilities measured at fair value on a recurring and nonrecurring basis, a three-level hierarchy of measurements based upon observable and unobservable inputs is used to arrive at fair value. Observable inputs are developed based on market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about valuation based on the best information available in the circumstances. Depending on the inputs, the Company classifies each fair value measurement as follows:

Level 1—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2—Valuations based upon quoted prices for similar instruments, prices for identical or similar instruments in markets that are not active, or model-derived valuations, all of whose significant inputs are observable, and

Level 3—Valuations based upon one or more significant unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Investments in Equity Securities

Investments in equity securities listed on a national market or exchange are valued at the last sales price and classified within Level 1 of the valuation hierarchy and recorded in investments and other assets.

The Company has certain convertible debt and convertible preferred stock investments that are accounted for under the cost method reflected in other assets in the Condensed Consolidated Balance Sheets. During the three months ended March 30, 2019, the Company recorded impairment charges of \$2.8 million in Other expense (income), net in the Condensed Consolidated Statements of Net Income to adjust these certain investments to their estimated fair value of \$1.2 million. The fair value of these investments are measured on a nonrecurring basis and determined to be Level 3 under the fair value hierarchy. The Company's accounting and finance management determines the valuation policies and procedures for Level 3 fair value measurements and is responsible for the development and determination of unobservable inputs.

Mutual Funds

The Company has a non-qualified Supplemental Retirement and Savings Plan which provides additional retirement benefits for certain management employees and named executive officers by allowing participants to defer a portion of their annual compensation. The Company maintains accounts for participants through which participants make investment elections. The marketable securities are classified as Level 1 under the fair value hierarchy as they are maintained in mutual funds with readily determinable fair value and recorded in other assets.

There were no changes during the quarter ended March 30, 2019 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of March 30, 2019 and December 29, 2018, the Company did not hold any non-financial assets or liabilities that are required to be measured at fair value on a recurring basis.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of March 30, 2019:

Fair Value Measurements Using

| (in thousands) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|----------------------------------|---|---|--|-----------|
| Investments in equity securities | \$ 10,551 | \$ | —\$ | —\$10,551 |
| Mutual funds | 9,806 | — | — | 9,806 |

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The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 29, 2018:

| (in thousands) | Fair Value Measurements Using | | | Total |
|----------------------------------|---|---|--|-----------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Investments in equity securities | \$ 10,312 | \$ — | \$ — | \$ 10,312 |
| Mutual funds | 9,112 | — | — | 9,112 |

In addition to the methods and assumptions used for the financial instruments recorded at fair value as discussed above, the following methods and assumptions are used to estimate the fair value of other financial instruments that are not marked to market on a recurring basis. The Company's other financial instruments include cash and cash equivalents, short-term investments, accounts receivable and its long-term debt. Due to their short-term maturity, the carrying amounts of cash and cash equivalents, short-term investments and accounts receivable approximate their fair values. The Company's revolving and term loan debt facilities' fair values approximate book value at March 30, 2019 and December 29, 2018, as the rates on these borrowings are variable in nature.

The carrying value and estimated fair values of the Company's Euro Senior Notes, Series A and Series B and USD Senior Notes, Series A and Series B, as of March 30, 2019 and December 29, 2018 were as follows:

| (in thousands) | March 30, 2019 | | December 29, 2018 | |
|--------------------------------------|-------------------|----------------------------|-------------------|----------------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Euro Senior Notes, Series A due 2023 | \$ 131,499 | \$ 129,800 | \$ 133,417 | \$ 130,888 |
| Euro Senior Notes, Series B due 2028 | 106,772 | 105,700 | 108,330 | 103,774 |
| USD Senior Notes, Series A due 2022 | 25,000 | 24,374 | 25,000 | 24,115 |
| USD Senior Notes, Series B due 2027 | 100,000 | 96,673 | 100,000 | 94,458 |
| USD Senior Notes, Series A due 2025 | 50,000 | 48,349 | 50,000 | 47,434 |
| USD Senior Notes, Series B due 2030 | 125,000 | 118,090 | 125,000 | 114,731 |

11. Benefit Plans

The Company has company-sponsored defined benefit pension plans covering employees in the U.K., Germany, the Philippines, China, Japan, Mexico, Italy and France. The amount of the retirement benefits provided under the plans is based on years of service and final average pay.

The Company recognizes interest cost, expected return on plan assets, and amortization of prior service, net within Other expense (income), net in the Condensed Consolidated Statements of Net Income. The components of net periodic benefit cost for the three months ended March 30, 2019 and March 31, 2018 were as follows:

| (in thousands) | For the Three Months Ended |
|----------------|-------------------------------|
|----------------|-------------------------------|

| | March 30, 2019 | March 31, 2018 |
|--|-------------------|-------------------|
| Components of net periodic benefit cost: | | |
| Service cost | \$500 | \$ 533 |
| Interest cost | 784 | 501 |
| Expected return on plan assets | (790) | (540) |
| Amortization of prior service | 62 | 74 |
| Net periodic benefit cost | \$556 | \$ 568 |

The Company expects to make approximately \$2.3 million of cash contributions to its pension plans in 2019.

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12. Other Comprehensive Income (Loss)

Change in other comprehensive (loss) income by component were as follows:

| (in thousands) | Three Months Ended March 30, 2019 | | | Three Months Ended March 31, 2018 | | |
|---|--------------------------------------|--------|---------------|--------------------------------------|--------|---------------|
| | Pre-tax | Tax | Net of Tax | Pre-tax | Tax | Net of Tax |
| Defined benefit pension plan adjustments | \$(78) | \$(29) | \$(49) | \$(68) | \$(65) | \$(3) |
| Foreign currency translation adjustments | 8,122 | — | 8,122 | (276) | — | (276) |
| Total change in other comprehensive income (loss) | \$8,044 | \$(29) | \$8,073 | \$(344) | \$(65) | \$(279) |

The following tables set forth the changes in accumulated other comprehensive (loss) income by component for the three months ended March 30, 2019 and March 31, 2018:

| (in thousands) | Pension and postretirement liability and reclassification adjustments | Foreign currency translation adjustment | Accumulated other comprehensive income (loss) |
|------------------------------|---|--|--|
| Balance at December 29, 2018 | \$ (9,959) | \$(87,965) | \$ (97,924) |
| Activity in the period | (49) | 8,122 | 8,073 |
| Balance at March 30, 2019 | \$ (10,008) | \$(79,843) | \$ (89,851) |

| (in thousands) | Pension and postretirement liability and reclassification adjustments | Unrealized gain (loss) on investments | Foreign currency translation adjustment | Accumulated other comprehensive income (loss) |
|----------------------------------|---|--|--|--|
| Balance at December 30, 2017 | \$ (10,836) | \$ 9,795 | \$(62,627) | \$ (63,668) |
| Cumulative effect adjustment (a) | — | (9,795) | — | (9,795) |
| Activity in the period | (3) | — | (276) | (279) |
| Balance at March 31, 2018 | \$ (10,839) | \$ — | \$(62,903) | \$ (73,742) |

(a)The Company adopted ASU 2016-01 on December 31, 2017 on a modified retrospective basis, recognizing the cumulative effect as a \$9.8 million increase to retained earnings.

Amounts reclassified from accumulated other comprehensive (loss) income to earnings for the three months ended March 30, 2019 and March 31, 2018 were as follows:

| (in thousands) | Three Months Ended March 30, 2019 | March 31, 2018 |
|-----------------------------------|--|-------------------|
| Pension and Postemployment plans: | | |
| Amortization of prior service | \$ 62 | \$ 74 |

The Company recognizes the amortization of prior service costs in Other (expense) income, net within the Condensed Consolidated Statements of Net Income.

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13. Income Taxes

The effective tax rate for the three months ended March 30, 2019 was 20.3%, compared to an effective tax rate for the three months ended March 31, 2018 of 19.3%. The effective tax rates for both periods were lower than the applicable U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions.

14. Earnings Per Share

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

| (in thousands, except per share amounts) | Three Months Ended | |
|--|-----------------------|-------------------|
| | March 30, 2019 | March 31, 2018 |
| Numerator: | | |
| Net income as reported | \$36,989 | \$ 36,029 |
| Denominator: | | |
| Weighted average shares outstanding | | |
| Basic | 24,717 | 24,339 |
| Effect of dilutive securities | 292 | 436 |
| Diluted | 25,009 | 24,775 |
| Earnings Per Share: | | |
| Basic earnings per share | \$1.50 | \$ 1.48 |
| Diluted earnings per share | \$1.48 | \$ 1.45 |

Potential shares of common stock relating to stock options excluded from the earnings per share calculation because their effect would be anti-dilutive were 77,047 for the three months ended March 30, 2019. No potential shares of common stock attributable to stock options were excluded from the diluted earnings per share calculation for the three months ended March 31, 2018.

Share Repurchase Program

The Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock under a program for the period May 1, 2018 to April 30, 2019. On April 26, 2019, the Company's Board of Directors authorized a new program to repurchase up to 1,000,000 shares of the Company's common stock for the period May 1, 2019 to April 30, 2020. During the three months ended March 30, 2019, the Company repurchased 79,916 shares of its common stock totaling \$13.6 million.

15. Related Party Transactions

As a result of the Company's acquisition of IXYS, the Company has equity ownership in various investments that are accounted for under the equity method and recorded in investments in the Condensed Consolidated Balance Sheets. The following is a description of the investments and related party transactions.

Powersem GmbH: The Company owns 45% of the outstanding equity of Powersem GmbH (“Powersem”), a module manufacturer based in Germany. For both the three months ended March 30, 2019 and March 31, 2018, the Company recorded revenues of \$0.1 million from sales of products to Powersem for use as components in their products. During the three months ended March 30, 2019 and March 31, 2018, the Company purchased \$0.8 million and \$1.1 million of products from Powersem, respectively. As of March 30, 2019, the accounts receivable balance from Powersem was \$0.1 million and the accounts payable balance to Powersem was \$0.1 million. As of December 29, 2018, the trade receivable balance from Powersem was \$0.1 million and the accounts payable balance to Powersem was \$0.2 million.

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EB Tech Ltd.: The Company owns approximately 20% of the outstanding equity of EB Tech Ltd. (“EB Tech”), a company with expertise in radiation technology based in South Korea. EB Tech rendered processing services for the Company totaling approximately \$0.1 million for both three months ended March 30, 2019 and March 31, 2018. As of March 30, 2019 and December 29, 2018, the Company’s accounts payable balance to EB Tech was \$0.1 million.

Automated Technology, Inc.: The Company owns approximately 24% of the outstanding common shares of Automated Technology, Inc (“ATEC”), a supplier located in the Philippines that provides assembly and test services. During the three months ended March 30, 2019 and March 31, 2018, ATEC rendered assembly and test services to the Company totaling approximately \$1.5 million and \$2.4 million, respectively. As of March 30, 2019, the Company’s accounts payable balance to ATEC was \$0.4 million. As of December 29, 2018, the Company’s accounts payable balance to ATEC was \$0.5 million.

On March 25, 2019, the Company entered into a definitive agreement to sell the assets and liabilities of Microwave Technology, Inc. (“MWT”) resulting in a loss on disposal of \$2.6 million reflected in Other income (expense), net in the Condensed Consolidated Statements of Net Income. The operations of Microwave Technology, Inc. were included in the Electronics segment. One member of the Company’s Board of Directors is the co-owner of a company that agreed to purchase MWT. This transaction closed on April 26, 2019.

16. Segment Information

The Company and its subsidiaries design, manufacture and sell components and modules for circuit protection, power control and sensing throughout the world. The Company reports its operations by the following segments: Electronics, Automotive, and Industrial. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources. The CODM is the Company’s President and Chief Executive Officer (“CEO”). The CODM allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss) before interest and taxes, but does not evaluate the operating segments using discrete balance sheet information.

Sales, marketing, and research and development expenses are charged directly into each operating segment. Manufacturing, purchasing, logistics, customer service, finance, information technology, and human resources are shared functions that are allocated back to the three operating segments. The Company does not report inter-segment revenue because the operating segments do not record it. Certain expenses, determined by the CODM to be strategic in nature and not directly related to segments current results, are not allocated but identified as “Other”. Additionally, the Company does not allocate interest and other income, interest expense, or taxes to operating segments. These costs are not allocated to the segments, as management excludes such costs when assessing the performance of the segments. Although the CODM uses operating income (loss) to evaluate the segments, operating costs included in one segment may benefit other segments. Except as discussed above, the accounting policies for segment reporting are the same as for the Company as a whole.

Electronics Segment: Consists of one of the broadest product offerings in the industry, including fuses and fuse accessories, positive temperature coefficient (“PTC”) resettable fuses, polymer electrostatic discharge (“ESD”) suppressors, varistors, reed switch based magnetic sensing, gas discharge tubes; semiconductor and power semiconductor products such as discrete transient voltage suppressor (“TVS”) diodes, TVS diode arrays, protection and switching thyristors, silicon carbide, metal-oxide-semiconductor field-effect transistors (“MOSFETs”) and silicon carbide diodes; and insulated gate bipolar transistors (“IGBT”) technologies. The segment covers a broad range of end markets, including industrial and automotive electronics, electric vehicle infrastructure, data and telecommunications, medical devices, LED lighting, consumer electronics and appliances

Automotive Segment: Consists of a wide range of circuit protection, power control and sensing technologies for global original equipment manufacturers (“OEMs”), Tier-I suppliers and parts distributors in passenger car, heavy duty truck, off-road vehicles, material handling, agricultural, construction and other commercial vehicle industries. Passenger car fuse products include fuses and fuse accessories for internal combustion engine vehicles and hybrid and electric vehicles including blade fuses, battery cable protectors, resettable fuses, high-current fuses, and high-voltage fuses. Commercial vehicle products include fuses, switches, relays, and power distribution modules for the commercial vehicle industry. Automotive sensor products include a wide range of automotive and commercial vehicle products designed to monitor the passenger compartment occupants, safety and environment as well as the vehicle’s powertrain, emissions, speed and suspension.

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Industrial Segment: Consists of power fuses, protection relays and controls and other circuit protection products for use in various industrial applications such as oil, gas, mining, alternative energy - solar and wind, electric vehicle infrastructure, construction, HVAC systems, elevator and other industrial equipment.

Segment information is summarized as follows:

| (in thousands) | Three Months Ended | |
|-------------------------------------|--------------------|-------------------|
| | March 30, 2019 | March 31, 2018 |
| Net sales | | |
| Electronics | \$265,394 | \$264,411 |
| Automotive | 113,483 | 126,131 |
| Industrial | 26,623 | 27,271 |
| Total net sales | \$405,500 | \$417,813 |
| Depreciation and amortization | | |
| Electronics | \$15,342 | \$13,678 |
| Automotive | 6,877 | 5,970 |
| Industrial | 1,060 | 1,460 |
| Other | — | 2,504 |
| Total depreciation and amortization | \$23,279 | \$23,612 |
| Operating income (loss) | | |
| Electronics | \$49,037 | \$53,964 |
| Automotive | 13,200 | 18,390 |
| Industrial | 3,505 | 4,709 |
| Other(a) | (5,069) | (39,492) |
| Total operating income | 60,673 | 37,571 |
| Interest expense | 5,686 | 5,423 |
| Foreign exchange loss (gain) | 4,243 | (10,555) |
| Other expense (income), net | 4,305 | (1,943) |
| Income before income taxes | \$46,439 | \$44,646 |

(a) Included in “Other” Operating income (loss) for the 2019 first quarter is \$2.4 million of acquisition integration charges primarily related to the IXYS acquisition. In addition, there were \$2.7 million of restructuring charges primarily related to employee termination costs.

The first quarter of 2018 includes approximately \$38.6 million of charges primarily related to the IXYS acquisition, which include \$17.9 million of purchase accounting inventory step-up charges, \$11.6 million in acquisition-related and integration costs primarily related to legal, accounting and other expenses, \$2.5 million in backlog amortization costs, and \$4.5 million in stock compensation expense recognized immediately upon close for converted IXYS options related to prior service periods and \$2.1 million change in control expense related to IXYS. In addition, there were \$0.8 million of employee termination costs and \$0.1 million of acquisition-related expenses for other contemplated acquisitions.

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The Company's net sales by country were as follows:

| (in thousands) | Three Months Ended | |
|--------------------|-----------------------|-------------------|
| | March 30, 2019 | March 31, 2018 |
| Net sales | | |
| United States | \$ 119,528 | \$ 123,877 |
| China | 57,334 | 106,508 |
| Other countries(a) | 228,638 | 187,428 |
| Total net sales | \$ 405,500 | \$ 417,813 |

The Company's long-lived assets by country were as follows:

| (in thousands) | March 30, 2019 | December 29, 2018 |
|-------------------------|-------------------|----------------------|
| Long-lived assets | | |
| United States | \$ 57,527 | \$ 58,691 |
| China | 94,807 | 95,806 |
| Mexico | 73,694 | 70,495 |
| Germany | 35,536 | 36,548 |
| Philippines | 36,223 | 32,459 |
| Other countries(a) | 44,547 | 45,895 |
| Total long-lived assets | \$ 342,334 | \$ 339,894 |

The Company's additions to long-lived assets by country were as follows:

| (in thousands) | Three Months Ended | |
|--------------------------------------|-----------------------|-------------------|
| | March 30, 2019 | March 31, 2018 |
| Additions to long-lived assets | | |
| United States | \$ 905 | \$ 2,909 |
| China | 1,225 | 5,144 |
| Mexico | 5,484 | 3,310 |
| Germany | 598 | 3,038 |
| Philippines | 5,229 | 2,162 |
| Other countries(a) | 635 | 1,346 |
| Total additions to long-lived assets | \$ 14,076 | \$ 17,909 |

(a) Each country included in other countries are less than 10% of net sales.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Statement Regarding Forward-Looking Statements Under the Private Securities Litigation Reform Act of 1995 ("PSLRA").

Certain statements in this section and other parts of this Quarterly Report on Form 10-Q may constitute "forward-looking statements" within the meaning of the federal securities laws and are entitled to the safe-harbor provisions of the PSLRA. These statements include statements regarding the Company's future performance, as well as management's expectations, beliefs, intentions, plans, estimates or projections relating to the future. Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy, although not all forward-looking statements contain such terms. The Company cautions that forward-looking statements, which speak only as of the date they are made, are subject to risks, uncertainties and other factors, and actual results and outcomes may differ materially from those indicated or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, risks relating to product demand and market acceptance; economic conditions; the impact of competitive products and pricing; product quality problems or product recalls; capacity and supply difficulties or constraints; coal mining exposures reserves; failure of an indemnification for environmental liability; exchange rate fluctuations; commodity price fluctuations; the effect of the Company's accounting policies; labor disputes; restructuring costs in excess of expectations; pension plan asset returns less than assumed; uncertainties related to political or regulatory changes; the risk that expected benefits, synergies and growth prospects of the Company's completed acquisition of IXYS Corporation ("IXYS") may not be achieved in a timely manner, or at all; the risk that IXYS's business may not be successfully integrated with the Company's; the risk that the Company and IXYS will be unable to retain and hire key personnel; and the risk that disruption from the acquisition may adversely affect the Company's or IXYS' business and their respective relationships with customers, suppliers or employees; and other risks which may be detailed in the Company's other Securities and Exchange Commission filings, including those set forth under Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 29, 2018. The Company does not undertake any obligation to update or revise any forward-looking statements to reflect future events or circumstances, new information or otherwise.

This report, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with information provided in the consolidated financial statements and the related Notes thereto appearing in the Company's Annual Report on Form 10-K for the year ended December 29, 2018.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide information that is supplemental to, and should be read together with, the consolidated financial statements and the accompanying notes. Information in MD&A is intended to assist the reader in obtaining an understanding of (i) the consolidated financial statements, (ii) the changes in certain key items within those financial statements from year-to-year, (iii) the primary factors that contributed to those changes, and (iv) any changes in known trends or uncertainties that we are aware of and that may have a material effect on future performance. In addition, MD&A provides information about the Company's segments and how the results of those segments impact the results of operations and financial condition as a whole.

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Executive Overview

Founded in 1927, Littelfuse is a global manufacturer of leading technologies in circuit protection, power control and sensing. Sold in over 150 countries, the Company's products are found in automotive and commercial vehicles, industrial applications, data and telecommunications, medical devices, consumer electronics and appliances. With its broad product portfolio of fuses, semiconductors, polymers, ceramics, relays and sensors, and extensive global infrastructure, the Company's worldwide associates partner with its customers to design, manufacture and deliver innovative, high-quality solutions for a safer, greener and increasingly connected world.

The Company maintains a network of global laboratories and engineering centers that develop new products and product enhancements, provide customer application support and test products for safety, reliability, and regulatory compliance. The Company conducts its business through three reportable segments: Electronics, Automotive, and Industrial. Within these segments, the Company designs, manufactures and sells components and modules for circuit protection, power control and sensing products throughout the world. The circuit protection products protect against electrostatic discharge, power surges, short circuits, voltage spikes and other harmful occurrences; our power control products safely and efficiently control power to mitigate equipment damage, minimize electrical hazards and improve productivity and our sensor products are used to identify and detect temperature, proximity, flow speed and fluid level in various applications.

Executive Summary

For the first quarter of 2019, the Company recognized net sales of \$405.5 million compared to \$417.8 million in the first quarter of 2018 representing a decrease of \$12.3 million, or 2.9%. The decrease was primarily driven by \$9.9 million or 2.4% of unfavorable changes in foreign exchange rates and decreased volume in the passenger car and automotive sensors businesses within the Automotive segment, partially offset by higher volumes in the semiconductor business in the Electronics segment as result of the IXYS acquisition completed on January 17, 2018. The Company recognized net income of \$37.0 million, or \$1.48 per diluted share, in the first quarter of 2019 compared to net income of \$36.0 million, or \$1.45 per diluted share in the first quarter of 2018. The increase in net income reflects lower non-segment charges compared to prior year primarily due to the IXYS acquisition, partially offset by lower operating income across all segments and foreign exchange losses.

The Company continues to take actions to improve its cost structure and drive the synergies from the integration of IXYS. The Company expects to realize cost savings from the restructuring activities taken during the first quarter of 2019 including the reorganization of certain manufacturing, selling and administrative functions within the Electronics and Automotive segments. In April 2019, we announced the closure of a European manufacturing facility in the automotive sensor business within the Automotive segment. The Company estimates the restructuring costs associated with this plant closure to be approximately \$5.0 million to \$7.0 million.

Net cash provided by operating activities was \$30.9 million for the three months ended March 30, 2019 as compared to \$69.3 million for the three months ended March 31, 2018. The decrease in net cash provided by operating activities reflected lower earnings and higher working capital levels primarily due to the timing of supplier and customer payments.

During the three months ended March 30, 2019, the Company repurchased 79,916 shares of its common stock totaling \$13.6 million. Since September 30, 2018, the Company has repurchased 471,888 shares of its common stock at an average price of \$172.62 totaling \$81.5 million.

Results of Operations

The following table summarizes the Company's condensed consolidated results of operations for the periods presented. The first quarter of 2019 includes \$5.1 million of non-segment charges, of which \$2.7 million of restructuring charges are primarily related to employee termination costs and \$2.4 million of acquisition integration charges are primarily related to the IXYS acquisition.

The first quarter of 2018 includes approximately \$38.6 million of charges primarily related to the IXYS acquisition, which include \$17.9 million of purchase accounting inventory step-up charges, \$11.6 million in acquisition-related and integration costs primarily related to legal, accounting and other expenses, \$2.5 million in backlog amortization costs, and \$4.5 million in stock compensation expense recognized immediately upon close for converted IXYS options related to prior service periods and \$2.1 million change in control expense related to IXYS. In addition, there were \$0.8 million of employee termination costs and \$0.1 million of acquisition-related expenses for other contemplated acquisitions.

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| (in thousands) | First Quarter | | | |
|----------------------------|---------------|-----------|------------|-------------|
| | 2019 | 2018 | Change | % Change |
| Net sales | \$405,500 | \$417,813 | \$(12,313) | (2.9)% |
| Gross profit | 155,228 | 149,623 | 5,605 | 3.7 % |
| Operating expenses | 94,555 | 112,052 | (17,497) | (15.6)% |
| Operating income | 60,673 | 37,571 | 23,102 | 61.5 % |
| Income before income taxes | 46,439 | 44,646 | 1,793 | 4.0 % |
| Income taxes | 9,450 | 8,617 | 833 | 9.7 % |
| Net income | \$36,989 | \$36,029 | \$960 | 2.7 % |

Net Sales

Net sales decreased \$12.3 million or 2.9% for the first quarter of 2019 compared to the first quarter of 2018 primarily due to \$9.9 million or 2.4% of unfavorable changes in foreign exchange rates, lower volume in the automotive sensors and passenger car businesses within the Automotive segment, partially offset by higher sales in the semiconductor business driven by the IXYS acquisition.

Gross Profit

Gross profit was \$155.2 million, or 38.3% of net sales, in the first quarter of 2019 compared to \$149.6 million, or 35.8% of net sales, in the first quarter of 2018. The increase in gross margin is primarily due to the 2018 IXYS purchase accounting inventory step-up charge of \$17.9 million, which negatively impacted the 2018 gross margin by 4.3%, partially offset by lower volume, unfavorable price impacts and product mix within the Electronics and Automotive segments.

Operating Expenses

Total operating expenses were \$94.6 million, or 23.3% of net sales, for the first quarter of 2019 compared to \$112.1 million, or 26.8% of net sales, for the first quarter of 2018. The decrease in operating expenses of \$17.5 million is primarily due to lower acquisition and integration related costs of \$9.2 million, reduced stock compensation expense of \$4.5 million, \$2.5 million of backlog amortization expense and \$2.1 million of change in control expense related to the IXYS acquisition in 2018.

Operating Income

Operating income was \$60.7 million, an increase of \$23.1 million, or 61.5%, for the first quarter of 2019 compared to \$37.6 million for the first quarter of 2018. The increase in operating income is due to the \$17.9 million purchase accounting inventory step-up charges and the lower operating expenses noted above partially offset by lower operating income across all segments. Operating margins increased from 9.0% in the first quarter of 2018 to 15.0% in the first quarter of 2019 driven by factors mentioned above.

Income Before Income Taxes

Income before income taxes was \$46.4 million, or 11.5% of net sales, for the first quarter of 2019 compared to \$44.6 million, or 10.7% of net sales, for the first quarter of 2018. In addition to the factors impacting comparative results for operating income discussed above, income before taxes was impacted by foreign exchange losses of \$4.2 million during the three months ended March 30, 2019 compared to foreign exchange gains of \$10.6 million during the three months ended March 31, 2018, impairment charges of \$2.8 million for certain other investments and a \$2.6 million

loss on the disposal of a business within the Electronics segment.

Income Taxes

Income tax expense was \$9.5 million, or an effective tax rate of 20.3%, for the first quarter of 2019 compared to \$8.6 million, or an effective tax rate of 19.3%, for the first quarter of 2018. The effective tax rates for both periods were lower than the applicable U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions.

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Segment Results of Operations

The Company reports its operations by the following segments: Electronics, Automotive and Industrial. Segment information is described more fully in Note 16, Segment Information, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report.

The following table is a summary of the Company's net sales by segment:

| | First Quarter | | | |
|----------------|---------------|-----------|------------|-------------|
| (in thousands) | 2019 | 2018 | Change | % Change |
| Electronics | \$265,394 | \$264,411 | \$983 | 0.4 % |
| Automotive | 113,483 | 126,131 | (12,648) | (10.0)% |
| Industrial | 26,623 | 27,271 | (648) | (2.4)% |
| Total | \$405,500 | \$417,813 | \$(12,313) | (2.9)% |

Electronics Segment

Net sales increased \$1.0 million, or 0.4%, in the first quarter of 2019 compared to the first quarter of 2018 primarily due to \$10.2 million increase in the semiconductor business due to the IXYS acquisition completed on January 17, 2018, partially offset by unfavorable foreign currency impact of \$5.3 million and lower electronics products volume.

Automotive Segment

Net sales decreased \$12.6 million, or 10.0%, in the first quarter of 2019 compared to the first quarter of 2018 due to decreased volume in the passenger car and automotive sensors businesses and unfavorable foreign exchange impact of \$4.4 million, partially offset by slightly higher volume in the commercial vehicle business.

Industrial Segment

Net sales decreased slightly by \$0.6 million, or 2.4%, in the first quarter of 2019 compared to the first quarter of 2018 primarily due to the exit of the Custom business during the second quarter of 2018 and unfavorable foreign exchange impact of \$0.2 million, partially offset by higher volume across the power fuse and relay businesses.

Geographic Net Sales Information

Net sales by geography represent net sales to customer or distributor locations. The following table is a summary of the Company's net sales by geography:

| | First Quarter | | | |
|----------------|---------------|-----------|------------|-------------|
| (in thousands) | 2019 | 2018 | Change | % Change |
| Asia-Pacific | \$172,781 | \$179,272 | \$(6,491) | (3.6)% |
| Americas | 138,034 | 138,729 | (695) | (0.5)% |
| Europe | 94,685 | 99,812 | (5,127) | (5.1)% |
| Total | \$405,500 | \$417,813 | \$(12,313) | (2.9)% |

Asia-Pacific

Net sales decreased \$6.5 million, or 3.6%, in the first quarter of 2019 compared to the first quarter of 2018. The decrease in net sales was primarily due to lower volume in the passenger car and automotive sensors businesses within the Automotive segment and unfavorable foreign currency impact of \$2.6 million, partially offset by higher volume in the semiconductor business within the Electronics segment.

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Americas

Net sales decreased \$0.7 million, or 0.5%, in the first quarter of 2019 compared to the first quarter of 2018 primarily due to lower volume in the automotive sensors business in the Automotive segment and unfavorable foreign currency impact of \$0.3 million, partially offset by higher volume in the semiconductor business within the Electronics segment.

Europe

Net sales decreased \$5.1 million, or 5.1%, in the first quarter of 2019 compared to the first quarter of 2018. The decrease in net sales was primarily due to unfavorable foreign currency effects of \$7.0 million, partially offset by higher volume in the commercial vehicles and automotive sensors businesses within the Automotive segment and higher volume in the semiconductor business within the Electronics segment.

Liquidity and Capital Resources

The Company has historically supported its liquidity needs through cash flows from operations. Management expects that the Company's (i) current level of cash, cash equivalents, and marketable securities, (ii) current and forecasted cash flows from operations, (iii) availability under existing funding arrangements, and (iv) access to capital in the capital markets will provide sufficient funds to support the Company's operations, capital expenditures, investments, and debt obligations on both a short-term and long-term basis.

Revolving Credit Facility/Term Loan

On March 4, 2016, the Company entered into a five-year credit agreement ("Credit Agreement") with a group of lenders for up to \$700.0 million. The Credit Agreement consisted of an unsecured revolving credit facility ("Revolving Credit Facility") of \$575.0 million and an unsecured term loan credit facility ("Term Loan") of up to \$125.0 million. In addition, the Company had the ability, from time to time, to increase the size of the Revolving Credit Facility and the Term Loan by up to an additional \$150.0 million, in the aggregate, in each case in minimum increments of \$25.0 million, subject to certain conditions and the agreement of participating lenders.

On October 13, 2017, the Company amended the Credit Agreement to increase the Revolving Credit Facility from \$575.0 million to \$700.0 million and increase the Term Loan from \$125.0 million to \$200.0 million and to extend the expiration date from March 4, 2021 to October 13, 2022. The Credit Agreement also includes the option for the Company to increase the size of the Revolving Credit Facility and the Term Loan by up to an additional \$300.0 million, in the aggregate, subject to the satisfaction of certain conditions set forth in the Credit Agreement. Term Loans may be made in up to two advances. The first advance of \$125.0 million occurred on October 13, 2017 and the second advance of \$75.0 million occurred on January 16, 2018. For the Term Loan, the Company is required to make quarterly principal payments of 1.25% of the original term loan (\$2.5 million with the second advance on January 16, 2018) through maturity, with the remaining balance due on October 13, 2022. The Company paid quarterly principle payments of \$5.0 million on the term loan during the three months ended March 30, 2019.

Outstanding borrowings under the Credit Agreement bear interest, at the Company's option, at either LIBOR, fixed for interest periods of one, two, three or six-month periods, plus 1.00% to 2.00%, or at the bank's Base Rate, as defined, plus 0.00% to 1.00%, based upon the Company's Consolidated Leverage Ratio, as defined. The Company is also required to pay commitment fees on unused portions of the credit agreement ranging from 0.15% to 0.25%, based on the Consolidated Leverage Ratio, as defined in the agreement. The credit agreement includes representations,

covenants and events of default that are customary for financing transactions of this nature. The effective interest rate on outstanding borrowings under the credit facility was 3.75% at March 30, 2019.

As of March 30, 2019, the Company had \$0.1 million outstanding in letters of credit and had available \$699.9 million of borrowing capacity under the Revolving Credit Facility. At March 30, 2019, the Company was in compliance with all covenants under the Credit Agreement. Further information regarding the Company's credit agreement is provided in Note 9, Debt, of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report.

Senior Notes

On December 8, 2016, the Company entered into a Note Purchase Agreement, pursuant to which the Company issued and sold €212 million aggregate principal amount of senior notes in two series. The funding date for the Euro denominated senior notes

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occurred on December 8, 2016 for €117 million in aggregate amount of 1.14% Senior Notes, Series A, due December 8, 2023 (“Euro Senior Notes, Series A due 2023”), and €95 million in aggregate amount of 1.83% Senior Notes, Series B due December 8, 2028 (“Euro Senior Notes, Series B due 2028”) (together, the “Euro Senior Notes”). Interest on the Euro Senior Notes is payable semiannually on June 8 and December 8, commencing June 8, 2017.

On December 8, 2016, the Company entered into a Note Purchase Agreement, pursuant to which the Company issued and sold \$125 million aggregate principal amount of senior notes in two series. On February 15, 2017, \$25 million in aggregate principal amount of 3.03% Senior Notes, Series A, due February 15, 2022 (“U.S. Senior Notes, Series A due 2022”), and \$100 million in aggregate principal amount of 3.74% Senior Notes, Series B, due February 15, 2027 (“U.S. Senior Notes, Series B due 2027”) (together, the “U.S. Senior Notes due 2022 and 2027”) were funded. Interest on the U.S. Senior Notes due 2022 and 2027 is payable semiannually on February 15 and August 15, commencing August 15, 2017.

On November 15, 2017, the Company entered into a Note Purchase Agreement pursuant to which the Company issued and sold \$175 million in aggregate principal amount of senior notes in two series. On January 16, 2018, \$50 million aggregate principal amount of 3.48% Senior Notes, Series A, due February 15, 2025 (“U.S. Senior Notes, Series A due 2025”) and \$125 million in aggregate principal amount of 3.78% Senior Notes, Series B, due February 15, 2030 (“U.S. Senior Notes, Series B due 2030”) (together the “U.S. Senior Notes due 2025 and 2030” and with the Euro Senior Notes and the U.S. Senior Notes due 2022 and 2027, the “Senior Notes”) were funded. Interest on the U.S. Senior Notes due 2025 and 2030 is payable semiannually on February 15 and August 15, commencing on August 15, 2018. Further information regarding the Company’s Senior Notes is provided in Note 9, Debt, of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report.

Dividends

During the first quarter of 2019, the Company paid quarterly dividends of \$10.6 million to the shareholders. On April 26, 2019, the Board of Directors of the Company declared a quarterly dividend of \$0.43 per share, payable on June 6, 2019 to stockholders of record as May 23, 2019.

Cash Flow Overview

| (in thousands) | First Quarter | |
|--|---------------|------------|
| | 2019 | 2018 |
| Net cash provided by operating activities | \$30,919 | \$69,268 |
| Net cash used in investing activities | (14,244) | (324,377) |
| Net cash (used in) provided by financing activities | (31,333) | 240,308 |
| Effect of exchange rate changes on cash and cash equivalents | 1,539 | (2,417) |
| Decrease in cash and cash equivalents | (13,119) | (17,218) |
| Cash and cash equivalents at beginning of period | 489,733 | 429,676 |
| Cash and cash equivalents at end of period | \$476,614 | \$412,458 |

Cash Flow from Operating Activities

Operating cash inflows are largely attributable to sales of the Company’s products. Operating cash outflows are largely attributable to recurring expenditures for raw materials, labor, rent, interest, taxes and other operating activities.

Net cash provided by operating activities was \$30.9 million for the first three months of 2019, compared to \$69.3 million during the first three months of 2018. The decrease in net cash provided by operating activities reflected lower earnings and higher working capital levels primarily due to the timing of supplier and customer payments.

Cash Flow from Investing Activities

Net cash used in investing activities was \$14.2 million for the three months ended March 30, 2019 compared to \$324.4 million during the three months ended March 31, 2018. Net cash used for the acquisition of IXYS was \$306.5 million for the three months ended March 31, 2018. Capital expenditures were \$14.1 million, representing a decrease of \$3.8 million compared to 2018.

Cash Flow from Financing Activities

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Net cash used in financing activities was \$31.3 million for the three months ended March 30, 2019 compared to net cash provided by financing activities of \$240.3 million for the three months ended March 31, 2018. The Company repurchased 79,916 shares of its common stock during the three months ended March 30, 2019 totaling \$13.6 million, but made payments of \$17.9 million related to settled share repurchases. The Company made payments of \$5.0 million on the term loan during the three months ended March 30, 2019 as compared to \$300.0 million of proceeds from the credit facility and senior notes payable and \$49.5 million of payments on the credit facility and term loan during the three months ended March 31, 2018. Additionally, dividends paid increased \$1.4 million from \$9.2 million in 2018 to \$10.6 million for the three months ended March 30, 2019.

Share Repurchase Program

The Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock under a program for the period May 1, 2018 to April 30, 2019 ("Share Repurchase Program"). During the three months ended March 30, 2019, the Company repurchased 79,916 shares of its common stock totaling \$13.6 million. The Share Repurchase Program expired on April 30, 2019 with 471,888 shares repurchased. On April 26, 2019, the Company's Board of Directors authorized a new program to repurchase up to 1,000,000 shares of the Company's common stock for the period May 1, 2019 to April 30, 2020.

Off-Balance Sheet Arrangements

As of March 30, 2019, the Company did not have any off-balance sheet arrangements, as defined under SEC rules. Specifically, the Company was not liable for guarantees of indebtedness owed by third parties, the Company was not directly liable for the debt of any unconsolidated entity and the Company did not have any retained or contingent interest in assets. The Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Critical Accounting Policies and Estimates

The Company's Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. In connection with the preparation of the Condensed Consolidated Financial Statements, the Company uses estimates and makes judgments and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures. The assumptions, estimates, and judgments are based on historical experience, current trends, and other factors the Company believes are relevant at the time it prepares the Condensed Consolidated Financial Statements.

The significant accounting policies and critical accounting estimates are consistent with those discussed in Note 1, Summary of Significant Accounting Policies and Other Information, to the consolidated financial statements and the MD&A section of the Company's Annual Report on Form 10-K for the year ended December 29, 2018. During the three months ended March 30, 2019, there were no significant changes in the application of critical accounting policies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

See Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of our Annual Report on Form 10-K for the year ended December 29, 2018. During the three months ended March 30, 2019, there have been no material changes

in our exposure to market risk.

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ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(b) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 30, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the quarter ended March 30, 2019, our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(f) and 15d-15(f) under the Exchange Act that occurred during the quarter ended March 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

During the three months ended March 30, 2019, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for our year ended December 29, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

The Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock under a program for the period May 1, 2018 to April 30, 2019. The Company repurchased 79,916 during the three months ended March 30, 2019. There are 528,112 and 608,028 shares may yet be purchased under the program as of March 30, 2019 and December 29, 2018, respectively.

The table below presents shares of the Company's common stock which were acquired by the Company during three months ended March 30, 2019:

| Period | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs |
|--------------------------------|----------------------------------|------------------------------|--|--|
| December 30 through January 26 | 66,796 | 169.11 | 66,796 | 541,232 |
| January 27 through February 23 | 13,120 | 172.16 | 13,120 | 528,112 |
| February 24 through March 30 | — | — | — | 528,112 |
| Total | 79,916 | 169.61 | 79,916 | 528,112 |

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

| Exhibit | Description |
|----------|---|
| 3.1 | <u>Amended and Restated Bylaws of Littelfuse, Inc. (filed as Exhibit 3.1 to the Company's current report on Form 8-K filed January 25, 2019, Commission File No. 20388).</u> |
| 31.1* | <u>Certification of David W. Heinzmann, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 31.2* | <u>Certification of Meenal A. Sethna, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 32.1** | <u>Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |
| + | Certain schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC. The registrant agrees to furnish supplementary a copy of any omitted schedule or exhibit to the SEC upon request. |
| * | Filed herewith. |
| ** | Furnished herewith. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, to be signed on its behalf by the undersigned thereunto duly authorized.

Littelfuse, Inc.

By: /s/ Meenal A. Sethna
Meenal A. Sethna
Executive Vice President
and Chief Financial
Officer

Date: May 1, 2019

By: /s/ Jeffrey G. Gorski
Jeffrey G. Gorski
Vice President and Chief
Accounting Officer