

AMPHENOL CORP /DE/
Form 10-Q
May 05, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended March 31, 2016

OR

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

Commission file number 1-10879

AMPHENOL CORPORATION

Delaware
(State of Incorporation)

22-2785165
(IRS Employer
Identification No.)

358 Hall Avenue

Wallingford, Connecticut 06492

203-265-8900

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of April 30, 2016, the total number of shares outstanding of Class A Common Stock was 307,927,051.

Table of Contents

Amphenol Corporation

Index to Quarterly Report

on Form 10-Q

	Page
<u>Part I</u>	
<u>Financial Information</u>	
<u>Item 1.</u>	
<u>Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015</u>	2
<u>Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2016 and 2015</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2016 and 2015</u>	4
<u>Condensed Consolidated Statements of Cash Flow for the Three Months Ended March 31, 2016 and 2015</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
<u>Item 4.</u>	
<u>Controls and Procedures</u>	20
<u>Part II</u>	
<u>Other Information</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	21
<u>Item 1A.</u>	
<u>Risk Factors</u>	21
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	21
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	21
<u>Item 4.</u>	
<u>Mine Safety Disclosures</u>	21
<u>Item 5.</u>	
<u>Other Information</u>	21
<u>Item 6.</u>	
<u>Exhibits</u>	22
<u>Signature</u>	24

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****AMPHENOL CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(dollars in millions)**

	March 31, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 687.0	\$ 1,737.2
Short-term investments	26.6	23.2
Total cash, cash equivalents and short-term investments	713.6	1,760.4
Accounts receivable, less allowance for doubtful accounts of \$26.2 and \$25.6, respectively	1,201.9	1,104.6
Inventories	933.5	851.8
Other current assets	140.6	133.2
Total current assets	2,989.6	3,850.0
Land and depreciable assets, less accumulated depreciation of \$948.9 and \$900.9, respectively	693.3	609.5
Goodwill	3,659.8	2,692.9
Intangibles and other long-term assets	547.3	306.0
	\$ 7,890.0	\$ 7,458.4
Liabilities & Equity		
Current Liabilities:		
Accounts payable	\$ 615.4	\$ 587.8
Accrued salaries, wages and employee benefits	122.0	105.6
Accrued income taxes	95.8	81.8
Accrued dividends	43.0	43.2
Other accrued expenses	193.1	189.7
Current portion of long-term debt	0.3	0.3
Total current liabilities	1,069.6	1,008.4
Long-term debt, less current portion	2,866.2	2,813.2
Accrued pension benefit obligations and other long-term liabilities	530.0	358.4
Equity:		
Common stock	0.3	0.3
Additional paid-in capital	814.5	783.3
Retained earnings	2,868.8	2,804.4
Accumulated other comprehensive loss	(297.4)	(349.5)

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Total shareholders' equity attributable to Amphenol Corporation	3,386.2	3,238.5
Noncontrolling interests	38.0	39.9
Total equity	3,424.2	3,278.4
	\$ 7,890.0	\$ 7,458.4

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(dollars and shares in millions, except per share data)

	Three Months Ended March 31,	
	2016	2015
Net sales	\$ 1,451.2	\$ 1,327.1
Cost of sales	992.0	902.5
Gross profit	459.2	424.6
Acquisition-related expenses	30.3	
Selling, general and administrative expense	189.5	164.4
Operating income	239.4	260.2
Interest expense	(18.1)	(17.0)
Other income, net	1.0	4.1
Income before income taxes	222.3	247.3
Provision for income taxes	(63.9)	(65.5)
Net income	158.4	181.8
Less: Net income attributable to noncontrolling interests	(1.8)	(2.0)
Net income attributable to Amphenol Corporation	\$ 156.6	\$ 179.8
Net income per common share - Basic	\$ 0.51	\$ 0.58
Weighted average common shares outstanding - Basic	307.6	310.0
Net income per common share - Diluted	\$ 0.50	\$ 0.57
Weighted average common shares outstanding - Diluted	314.2	318.0
Dividends declared per common share	\$ 0.14	\$ 0.125

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(dollars in millions)

	Three Months Ended March 31,	
	2016	2015
Net income	\$ 158.4	\$ 181.8
Total other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	46.1	(67.9)
Unrealized gain on cash flow hedges	2.3	0.6
Defined benefit plan adjustment, net of tax of (\$2.2) and (\$0.8), respectively	4.0	1.6
Total other comprehensive income (loss), net of tax	52.4	(65.7)
Total comprehensive income	210.8	116.1
Less: Comprehensive income attributable to noncontrolling interests	(2.1)	(2.0)
Comprehensive income attributable to Amphenol Corporation	\$ 208.7	\$ 114.1

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(dollars in millions)

	Three Months Ended March 31,	
	2016	2015
Cash from operating activities:		
Net income	\$ 158.4	\$ 181.8
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	61.9	40.1
Stock-based compensation expense	11.6	10.1
Excess tax benefits from stock-based compensation payment arrangements	(4.2)	(3.6)
Net change in components of working capital	(45.9)	(40.1)
Net change in other long-term assets and liabilities	12.4	
Net cash provided by operating activities	194.2	188.3
Cash from investing activities:		
Purchases of land and depreciable assets	(41.0)	(40.0)
Proceeds from disposals of land and depreciable assets	2.7	0.3
Purchases of short-term investments	(16.1)	(104.5)
Sales and maturities of short-term investments	13.1	84.0
Acquisitions, net of cash acquired	(1,185.8)	(76.1)
Net cash used in investing activities	(1,227.1)	(136.3)
Cash from financing activities:		
Long-term borrowings under credit facilities		125.0
Repayments of long-term debt		(86.2)
Borrowings under commercial paper program, net	50.8	46.8
Payments of costs related to debt financing	(3.0)	
Proceeds from exercise of stock options	14.6	16.0
Excess tax benefits from stock-based compensation payment arrangements	4.2	3.6
Distributions to shareholders of noncontrolling interests	(4.0)	(3.2)
Purchase and retirement of treasury stock	(49.2)	(62.2)
Dividend payments	(43.2)	(77.5)
Net cash used in financing activities	(29.8)	(37.7)
Effect of exchange rate changes on cash and cash equivalents	12.5	(13.3)
Net change in cash and cash equivalents	(1,050.2)	1.0
Cash and cash equivalents balance, beginning of period	1,737.2	968.9
Cash and cash equivalents balance, end of period	\$ 687.0	\$ 969.9
Cash paid for:		
Interest	\$ 31.2	\$ 30.2

Income taxes	47.6	51.9
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See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(dollars in millions, except per share data)

Note 1 Basis of Presentation and Principles of Consolidation

The condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015, and the related condensed consolidated statements of income, the condensed consolidated statements of comprehensive income and the condensed consolidated statements of cash flow for the three months ended March 31, 2016 and 2015 include the accounts of Amphenol Corporation and its subsidiaries (the Company). All material intercompany balances and transactions have been eliminated in consolidation. The condensed consolidated financial statements included herein are unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America have been included. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements and the related notes should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the 2015 Annual Report).

Reclassification

During the second quarter of 2015, the Company changed the reporting for borrowings and repayments related to the Company's commercial paper program from a gross basis to a net basis in the accompanying Condensed Consolidated Statements of Cash Flow, to the extent such borrowings under this program have maturities that are three months or less. The Company has reclassified the prior period balance for the three months ended March 31, 2015 to reflect such change.

Note 2 New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which stipulates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. To achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract(s), (3) determine the transaction price(s), (4) allocate the transaction price(s) to the performance obligations in the contract(s), and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires advanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August&n