

PREFORMED LINE PRODUCTS CO

Form 10-Q

May 06, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

Commission file number: 0-31164

Preformed Line Products Company

(Exact Name of Registrant as Specified in Its Charter)

Ohio
(State or Other Jurisdiction of

Incorporation or Organization)

34-0676895
(I.R.S. Employer

Identification No.)

660 Beta Drive

Mayfield Village, Ohio
(Address of Principal Executive Office)

44143
(Zip Code)

(440) 461-5200

(Registrant's telephone number, including area code)

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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

The number of common shares outstanding as of May 1, 2016: 5,189,885.

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	March 31, 2016 (Unaudited)	December 31, 2015
<i>(Thousands of dollars, except share and per share data)</i>		
ASSETS		
Cash and cash equivalents	\$ 31,363	\$ 30,393
Accounts receivable, less allowances of \$2,469 (\$2,326 in 2015)	67,728	63,626
Inventories - net	70,302	69,912
Prepays	5,047	4,030
Prepaid taxes	6,086	5,585
Other current assets	1,738	6,343
TOTAL CURRENT ASSETS	182,264	179,889
Property, plant and equipment - net	96,708	91,965
Patents and other intangibles - net	11,465	11,288
Goodwill	16,290	15,821
Deferred income taxes	12,746	12,704
Other assets	11,297	11,703
TOTAL ASSETS	\$ 330,770	\$ 323,370
LIABILITIES AND SHAREHOLDERS EQUITY		
Notes payable to banks	\$ 825	\$ 413
Current portion of long-term debt	117	110
Trade accounts payable	21,455	20,377
Accrued compensation and amounts withheld from employees	9,481	9,306
Accrued expenses and other liabilities	13,373	13,334
Accrued profit-sharing and other benefits	3,019	5,648
Dividends payable	1,067	1,057
Income taxes payable	1,183	1,423
TOTAL CURRENT LIABILITIES	50,520	51,668
Long-term debt, less current portion	35,845	31,754
Unfunded pension obligation	11,597	11,627
Income taxes payable	197	195
Deferred income taxes	2,602	2,467

Other noncurrent liabilities	5,741	6,675
SHAREHOLDERS EQUITY		
Shareholders equity:		
Common shares - \$2 par value per share, 15,000,000 shares authorized, 5,204,950 and 5,221,062 issued and outstanding, at March 31, 2016 and December 31, 2015	12,483	12,478
Common shares issued to rabbi trust, 296,326 and 296,635 shares at March 31, 2016 and December 31, 2015	(12,014)	(12,052)
Deferred compensation liability	12,014	12,052
Paid-in capital	23,299	22,916
Retained earnings	293,923	292,311
Treasury shares, at cost, 1,036,362 and 1,018,013 shares at March 31, 2016 and December 31, 2015	(55,230)	(54,570)
Accumulated other comprehensive loss	(50,207)	(54,151)
TOTAL SHAREHOLDERS EQUITY	224,268	218,984
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 330,770	\$ 323,370

See notes to consolidated financial statements (unaudited).

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PREFORMED LINE PRODUCTS COMPANY
STATEMENTS OF CONSOLIDATED OPERATIONS
(UNAUDITED)

	Three Months Ended March 31	
	2016	2015
<i>(Thousands of dollars, except per share data)</i>		
Net sales	\$ 78,682	\$ 85,790
Cost of products sold	54,393	61,030
GROSS PROFIT	24,289	24,760
Costs and expenses		
Selling	7,631	7,207
General and administrative	10,086	10,186
Research and engineering	3,738	3,721
Other operating (income) expense - net	(853)	3,731
	20,602	24,845
OPERATING INCOME (LOSS)	3,687	(85)
Other income (expense)		
Interest income	75	102
Interest expense	(158)	(133)
Other income - net	52	57
	(31)	26
INCOME (LOSS) BEFORE INCOME TAXES	3,656	(59)
Income taxes	998	197
NET INCOME (LOSS)	\$ 2,658	\$ (256)
BASIC EARNINGS (LOSS) PER SHARE		
Net income (loss)	\$ 0.51	\$ (0.05)
DILUTED EARNINGS (LOSS) PER SHARE		
Net income (loss)	\$ 0.51	\$ (0.05)
Cash dividends declared per share	\$ 0.20	\$ 0.20

Weighted-average number of shares outstanding - basic	5,211	5,396
Weighted-average number of shares outstanding - diluted	5,229	5,396

See notes to consolidated financial statements (unaudited).

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PREFORMED LINE PRODUCTS COMPANY
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended March 31	
	2016	2015
<i>(Thousands of dollars)</i>		
Net income (loss)	\$ 2,658	\$ (256)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	3,867	(8,614)
Recognized net actuarial loss (net of tax provision of \$46 and \$53 for the three months ended March 31, 2016 and 2015, respectively)	77	86
Other comprehensive income (loss), net of tax	3,944	(8,528)
Comprehensive income (loss)	\$ 6,602	\$ (8,784)

See notes to consolidated financial statements (unaudited).

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PREFORMED LINE PRODUCTS COMPANY
STATEMENTS OF CONSOLIDATED CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31	
	2016	2015
<i>(Thousands of dollars)</i>		
OPERATING ACTIVITIES		
Net income (loss)	\$ 2,658	\$ (256)
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	2,710	3,250
Provision for accounts receivable allowances	(10)	46
Provision for inventory reserves	9	208
Deferred income taxes	(23)	(1,217)
Share-based compensation expense	363	489
Excess tax benefits from share-based awards	8	(20)
Other - net	9	5
Changes in operating assets and liabilities:		
Accounts receivable	(2,368)	2,952
Inventories	1,657	(113)
Trade accounts payable and accrued liabilities	(2,331)	(4,119)
Income taxes payable	(196)	(2,006)
Other - net	(1,292)	1,383
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,194	602
INVESTING ACTIVITIES		
Capital expenditures	(5,508)	(2,272)
Proceeds from the sale of property and equipment	61	570
Restricted cash and purchase of fixed-term deposits	3,216	2,277
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(2,231)	575
FINANCING ACTIVITIES		
Increase in notes payable to banks	351	244
Proceeds from the issuance of long-term debt	15,706	12,879
Payments of long-term debt	(11,674)	(13,868)
Dividends paid	(1,056)	(1,110)
Excess tax benefits from share-based awards	(8)	20
Proceeds from issuance of common shares	0	40
Purchase of common shares for treasury	(627)	(74)
Purchase of common shares for treasury from related parties	(33)	(140)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,659	(2,009)

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Effects of exchange rate changes on cash and cash equivalents	(652)	1,719
Net increase in cash and cash equivalents	970	887
Cash and cash equivalents at beginning of year	30,393	29,643
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 31,363	\$ 30,530

See notes to consolidated financial statements (unaudited).

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PREFORMED LINE PRODUCTS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands, except share and per share data, unless specifically noted)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Preformed Line Products Company and subsidiaries (the Company or PLPC) have been prepared in accordance with United States of America (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from these estimates. In the opinion of management, these consolidated financial statements contain all estimates and adjustments, consisting of normal recurring accruals, required to fairly present the financial position, results of operations, and cash flows for the interim periods. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the full-year ending December 31, 2016.

The Consolidated Balance Sheet at December 31, 2015 has been derived from the audited consolidated financial statements, but does not include all of the information and notes required by U.S. GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes to consolidated financial statements included in the Company's 2015 Annual Report on Form 10-K filed on March 11, 2016 with the Securities and Exchange Commission.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation, as discussed in Note K segment information.

NOTE B OTHER FINANCIAL STATEMENT INFORMATION*Inventories net*

	March 31, 2016	December 31, 2015
Finished products	\$ 37,544	\$ 37,812
Work-in-process	7,121	6,902
Raw materials	35,162	34,854
	79,827	79,568
Excess of current cost over LIFO cost	(3,893)	(3,538)

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Noncurrent portion of inventory	(5,632)	(6,118)
	\$ 70,302	\$ 69,912

Cost of inventories for certain material is determined using the last-in-first-out (LIFO) method and totaled approximately \$26.9 million at March 31, 2016 and \$26.8 million at December 31, 2015. An actual valuation of inventories under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation. During the three months ended March 31, 2016 and March 31, 2015, the net change in LIFO inventories resulted in a \$.4 million and \$.1 million charge, respectively, to Income (loss) before income taxes.

Noncurrent inventory is included in Other assets on the Consolidated Balance Sheets.

Table of Contents*Property, plant and equipment - net*

Major classes of Property, plant and equipment are stated at cost and were as follows:

	March 31, 2016	December 31, 2015
Land and improvements	\$ 12,693	\$ 12,260
Buildings and improvements	72,601	71,711
Machinery and equipment	140,980	137,599
Construction in progress	7,399	3,369
	233,673	224,939
Less accumulated depreciation	136,965	132,974
	\$ 96,708	\$ 91,965