

AMETEK INC/
Form 10-Q
May 04, 2016
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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 31, 2016

OR

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

For the transition period from _____ **to** _____

Commission File Number 1-12981

AMETEK, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1100 Cassatt Road
Berwyn, Pennsylvania

14-1682544
(I.R.S. Employer
Identification No.)

19312-1177

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (610) 647-2121

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.

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

(Do not check if a 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 shares of the registrant's common stock outstanding as of the latest practicable date was: Common Stock, \$0.01 Par Value, outstanding at April 25, 2016 was 233,410,062 shares.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****AMETEK, Inc.****Consolidated Statement of Income****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended March 31,	
	2016	2015
Net sales	\$ 944,398	\$ 984,059
Operating expenses:		
Cost of sales, excluding depreciation	605,356	635,965
Selling, general and administrative	112,194	110,884
Depreciation	18,325	16,258
Total operating expenses	735,875	763,107
Operating income	208,523	220,952
Other expenses:		
Interest expense	(23,401)	(22,686)
Other, net	(2,080)	(1,480)
Income before income taxes	183,042	196,786
Provision for income taxes	48,872	54,679
Net income	\$ 134,170	\$ 142,107
Basic earnings per share	\$ 0.57	\$ 0.59
Diluted earnings per share	\$ 0.57	\$ 0.59
Weighted average common shares outstanding:		
Basic shares	234,983	240,947
Diluted shares	236,216	242,797
Dividends declared and paid per share	\$ 0.09	\$ 0.09

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Total comprehensive income	\$ 169,276	\$ 47,305

See accompanying notes.

Table of Contents**AMETEK, Inc.****Consolidated Balance Sheet****(In thousands)**

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 386,940	\$ 381,005
Receivables, net	606,888	603,295
Inventories, net	548,777	514,451
Deferred income taxes	51,758	46,724
Other current assets	68,227	73,352
Total current assets	1,662,590	1,618,827
Property, plant and equipment, net	488,331	484,548
Goodwill	2,857,999	2,706,633
Other intangibles, net	1,806,610	1,672,961
Investments and other assets	179,172	177,481
Total assets	\$ 6,994,702	\$ 6,660,450
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt, net	\$ 665,686	\$ 384,924
Accounts payable	366,236	365,355
Income taxes payable	44,125	32,738
Accrued liabilities	214,507	241,004
Total current liabilities	1,290,554	1,024,021
Long-term debt, net	1,552,674	1,553,116
Deferred income taxes	649,136	624,046
Other long-term liabilities	205,652	204,641
Total liabilities	3,698,016	3,405,824
Stockholders equity:		
Common stock	2,610	2,608
Capital in excess of par value	578,690	568,286
Retained earnings	4,087,956	3,974,793
Accumulated other comprehensive loss	(370,525)	(405,631)
Treasury stock	(1,002,045)	(885,430)

Total stockholders equity	3,296,686	3,254,626
Total liabilities and stockholders equity	\$ 6,994,702	\$ 6,660,450

See accompanying notes.

Table of Contents**AMETEK, Inc.****Condensed Consolidated Statement of Cash Flows****(In thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2016	2015
Cash provided by (used for):		
Operating activities:		
Net income	\$ 134,170	\$ 142,107
Adjustments to reconcile net income to total operating activities:		
Depreciation and amortization	40,086	35,260
Deferred income taxes	5,063	(1,267)
Share-based compensation expense	5,079	4,862
Net change in assets and liabilities, net of acquisitions	(31,847)	(8,491)
Pension contribution	(1,157)	(50,770)
Other	225	225
Total operating activities	151,619	121,926
Investing activities:		
Additions to property, plant and equipment	(11,115)	(14,372)
Purchases of businesses, net of cash acquired	(294,611)	
Total investing activities	(305,726)	(14,372)
Financing activities:		
Net change in short-term borrowings	283,333	(24,704)
Reduction in long-term borrowings		(450)
Repurchases of common stock	(116,659)	(25,660)
Cash dividends paid	(21,006)	(21,642)
Excess tax benefits from share-based payments	1,966	6,082
Proceeds from employee stock plans and other	2,004	13,129
Total financing activities	149,638	(53,245)
Effect of exchange rate changes on cash and cash equivalents	10,404	(25,337)
Increase in cash and cash equivalents	5,935	28,972
Cash and cash equivalents:		
As of January 1	381,005	377,615

As of March 31

\$ 386,940 \$ 406,587

See accompanying notes.

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AMETEK, Inc.

Notes to Consolidated Financial Statements

March 31, 2016

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements are unaudited. AMETEK, Inc. (the Company) believes that all adjustments (which primarily consist of normal recurring accruals) necessary for a fair presentation of the consolidated financial position of the Company at March 31, 2016, and the consolidated results of its operations and its cash flows for the three months ended March 31, 2016 and 2015 have been included. Quarterly results of operations are not necessarily indicative of results for the full year. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission.

2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue at 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 those goods or services. In applying the new guidance, the Company must (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when the Company satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. ASU 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017 and can be adopted by the Company using either a full retrospective or modified retrospective approach. ASU 2014-09 may be early adopted for interim and annual reporting periods beginning after December 15, 2016. The Company has developed an implementation plan, which is currently in the assessment phase. The Company is in the process of determining the impact ASU 2014-09 may have on the Company's consolidated results of operations, financial position, cash flows and financial statement disclosures, and has not decided upon the method of adoption.

In February 2015, the FASB issued ASU No. 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02). ASU 2015-02 is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). ASU 2015-02 makes specific amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the variable interest entities guidance. The Company adopted ASU 2015-02 effective January 1, 2016 and the adoption did not have a significant impact on the Company's consolidated results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The Company adopted ASU 2015-03 effective January 1, 2016 and the adoption did not have a significant impact on the Company's consolidated results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU 2015-05). ASU 2015-05 is intended to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The guidance clarifies that customers should determine whether a cloud computing arrangement includes the license of software by applying the same guidance cloud service providers use to make this determination. The Company adopted ASU 2015-05 effective January 1, 2016 and the adoption did not have a significant impact on the Company's consolidated results of operations, financial position or cash flows.

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March 31, 2016

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In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory* (ASU 2015-11), which applies to inventory that is measured using FIFO or average cost. As prescribed in this update, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using LIFO. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company has not determined the impact ASU 2015-11 may have on the Company's consolidated results of operations, financial position or cash flows.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 is effective for interim and annual reporting periods beginning after December 15, 2016. ASU 2015-17 may be adopted prospectively or retrospectively and early adoption is permitted. The Company has not determined the impact ASU 2015-17 may have on the Company's consolidated results of operations, financial position or cash flows and has not decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. ASU 2016-02 is to be adopted using a modified retrospective approach and early adoption is permitted. The Company has not determined the impact ASU 2016-02 may have on the Company's consolidated results of operations, financial position, cash flows and financial statement disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). ASU 2016-09 includes changes to the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016 and early adoption is permitted. The Company has not determined the impact ASU 2016-09 may have on the Company's consolidated results of operations, financial position, cash flows and financial statement disclosures.

3. Earnings Per Share

The calculation of basic earnings per share is based on the weighted average number of common shares considered outstanding during the periods. The calculation of diluted earnings per share reflects the effect of all potentially

dilutive securities (principally outstanding stock options and restricted stock grants). The number of weighted average shares used in the calculation of basic earnings per share and diluted earnings per share was as follows:

	Three Months Ended March 31,	
	2016	2015
	(In thousands)	
Weighted average shares:		
Basic shares	234,983	240,947
Equity-based compensation plans	1,233	1,850
Diluted shares	236,216	242,797

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March 31, 2016

(Unaudited)

4. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) consisted of the following:

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Foreign Currency Items and Other	Defined Benefit Pension Plans	Total	Foreign Currency Items and Other	Defined Benefit Pension Plans	Total
	(In thousands)					
Balance at the beginning of the period	\$ (250,593)	\$ (155,038)	\$ (405,631)	\$ (124,912)	\$ (141,982)	\$ (266,894)
Other comprehensive income (loss) before reclassifications:						
Translation adjustments	21,679		21,679	(34,370)		(34,370)
Change in long-term intercompany notes	13,703		13,703	(54,693)		(54,693)
Net investment hedges	(2,910)		(2,910)	(11,011)		(11,011)
Gross amounts reclassified from accumulated other comprehensive income (loss)		2,484	2,484		2,160	2,160
Income tax benefit (expense)	1,019	(869)	150	3,854	(742)	3,112
Other comprehensive (loss) income, net of tax	33,491	1,615	35,106	(96,220)	1,418	(94,802)