

LITTELFUSE INC /DE
Form 10-Q
August 06, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007
OR

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

Commission file number 0-20388

LITTELFUSE, INC.

(Exact name of registrant as specified in its charter)

Delaware

36-3795742

(State or other jurisdiction
of incorporation or organization)

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

**800 East Northwest Highway
Des Plaines, Illinois**

60016

(Address of principal executive offices)

(Zip Code)

(847) 824-1188

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 June 30, 2007, 22,355,469 shares of common stock, \$.01 par value, of the Registrant were outstanding.

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LITTELFUSE, INC.
Condensed Consolidated Balance Sheets
(in thousands, unaudited)

	June 30, 2007	December 30, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 49,240	\$ 56,704
Accounts receivable	84,343	83,901
Inventories	65,381	65,961
Deferred income taxes	16,199	12,382
Prepaid expenses and other current assets	10,667	9,821
Total current assets	225,830	228,769
Property, plant, and equipment:		
Land	12,904	10,916
Buildings	46,177	45,518
Equipment	284,592	285,758
	343,673	342,192
Accumulated depreciation	(215,814)	(216,676)
Net property, plant and equipment	127,859	125,516
Intangible assets, net of amortization:		
Patents , licenses and software	9,664	10,118
Distribution network	14,500	15,209
Trademarks and tradenames	1,369	1,321
Goodwill	67,748	67,500
	93,281	94,148
Investments	5,994	5,231
Long-term deferred tax asset	7,498	9,746
Other assets	3,640	1,556
Total assets	\$ 464,102	\$ 464,966
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 24,248	\$ 23,334
Accrued payroll	14,673	22,468
Accrued expenses	11,296	12,579
Accrued severance	6,919	10,670
Accrued income taxes	708	4,656

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Current portion of long-term debt	7,064	24,328
Total current liabilities	64,908	98,035
Long-term debt, less current portion	1,493	1,785
Accrued severance	22,256	18,879
Accrued post-retirement benefits	28,990	27,971
Other long-term liabilities	14,438	14,488
Minority interest	143	143
Shareholders' equity	331,874	303,665
Total liabilities and shareholders' equity	\$ 464,102	\$ 464,966

Common shares issued and outstanding of 22,355,469 and 22,110,674, at June 30, 2007, and December 30, 2006, respectively

LITTELFUSE, INC.
Consolidated Statements of Income
(in thousands, except per share data, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Net sales	\$ 129,149	\$ 137,941	\$ 260,963	\$ 263,552
Cost of sales	87,878	106,652	178,371	187,463
Gross profit	41,271	31,289	82,592	76,089
Selling, general and administrative expenses	23,474	28,599	49,360	54,421
Research and development expenses	5,306	4,790	10,593	9,465
Amortization of intangibles	879	591	1,536	1,111
Operating income (loss)	11,612	(2,691)	21,103	11,092
Interest expense	368	359	830	772
Other income, net	(545)	(939)	(885)	(1,510)
Earnings (loss) from continuing operations before income taxes	11,789	(2,111)	21,158	11,830
Income taxes (benefit)	3,407	(2,560)	6,555	2,598
Earnings from continuing operations	8,382	449	14,603	9,232
Discontinued operations (net of tax)				588
Net income	\$ 8,382	\$ 449	\$ 14,603	\$ 9,820
Net income per share:				
Basic:				
Continuing operations	\$ 0.38	\$ 0.02	\$ 0.66	\$ 0.41
Discontinued operations	\$	\$	\$	\$ 0.03
Net income	\$ 0.38	\$ 0.02	\$ 0.66	\$ 0.44

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Diluted:				
Continuing operations	\$	0.37	\$	0.02
			\$	0.65
			\$	0.41
Discontinued operations	\$		\$	
			\$	0.03
Net income	\$	0.37	\$	0.02
			\$	0.65
			\$	0.44

Weighted average shares and equivalent shares
outstanding:

Basic	22,294	22,328	22,229	22,293
Diluted	22,516	22,693	22,427	22,612

LITTELFUSE, INC.
Consolidated Statements of Cash Flows
(in thousands, unaudited)

	For the Six Months Ended	
	June 30,	July 1,
	2007	2006
Operating activities:		
Net income	\$ 14,603	\$ 9,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,145	14,900
Amortization of intangibles	1,536	1,111
Stock-based compensation	2,634	2,704
Changes in operating assets and liabilities:		
Accounts receivable	1	(10,622)
Inventories	1,177	496
Accounts payable and accrued expenses	(8,412)	21,566
Accrued taxes	(4,455)	(1,048)
Prepaid expenses and other	(3,222)	802
Net cash provided by operating activities	16,007	39,729
Investing activities:		
Purchases of property, plant, and equipment	(13,089)	(9,400)
Purchases of businesses, net of cash acquired	12	(31,526)
Sale of business and property, plant and equipment		11,574
Net cash used in investing activities	(13,077)	(29,352)
Financing activities:		
Proceeds from debt	30,500	22,858
Payments of debt	(48,025)	(25,298)
Notes receivable, common stock		7
Proceeds from exercise of stock options	6,064	3,350
Net cash provided by (used in) financing activities	(11,461)	917
Effect of exchange rate changes on cash	1,067	1,539
Increase (decrease) in cash and cash equivalents	(7,464)	12,833
Cash and cash equivalents at beginning of period	56,704	21,947
Cash and cash equivalents at end of period	\$ 49,240	\$ 34,780

Notes to Condensed Consolidated Financial Statements
(Unaudited)
June 30, 2007

1. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, Des Plaines and Elk Grove, Illinois, Irving, Texas, Ireland and Heinrich severance, accrued employee-related costs pursuant to contractual obligations and income tax reserve reclassifications required under FIN 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*, considered necessary for a fair presentation have been included. The December 30, 2006 balance of \$8.0 million for uncertain income tax positions has been reclassified from accrued income taxes to other long-term liabilities on the Consolidated Balance Sheets. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 29, 2007. For further information, refer to the Company's consolidated financial statements and the notes thereto incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 30, 2006.

2. Business Segment Information

The Company designs, manufactures and sells circuit protection devices throughout the world. The Company has three reportable geographic segments: Americas, Europe and Asia-Pacific. The circuit protection market in these geographical segments is categorized into three major product areas: electronic, automotive and electrical. The Company evaluates the performance of each geographic segment based on its sales and net income or loss. The Company accounts for intersegment sales as if the sales were to third parties. The Company's reportable segments are the geographical regions where the revenue is earned and expenses are incurred. The Company has subsidiaries in Americas, Europe and Asia-Pacific.

Sales to Hong Kong were 16% and 17% of consolidated sales for the three and six months ended June 30, 2007, respectively, and 14% and 15% of consolidated sales for the three and six months ended July 1, 2006. No other foreign country sales exceeded 10% for the three and six months ended June 30, 2007. Sales to no single customer amounted to 10% or more of the Company's total revenues for the three and six months ended June 30, 2007. Sales to Arrow Pemco Group were 11% and 12% for the three and six months ended July 1, 2006.

Information concerning the operations in these geographic segments for the three and six months ended June 30, 2007, and July 1, 2006, is as follows (in thousands):

	Three Months Ended June 30, 2007	Three Months Ended July 1, 2006	Six Months Ended June 30, 2007	Six months Ended July 1, 2006
Net Sales				
Americas	\$ 49,894	\$ 57,536	\$ 100,477	\$ 111,830
Europe	29,471	29,398	60,187	57,477
Asia-Pacific	49,784	51,007	100,299	94,245
Consolidated total	\$ 129,149	\$ 137,941	\$ 260,963	\$ 263,552
Intersegment sales				
Americas	\$ 47,463	\$ 53,942	\$ 96,740	\$ 96,554

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Europe	12,906	20,287	27,802	42,056
Asia-Pacific	33,643	24,050	64,429	48,786
Combined total	94,012	98,279	188,971	187,396
Eliminations	(94,012)	(98,279)	(188,971)	(187,396)
Consolidated total	\$	\$	\$	\$
	4			

	Three Months Ended June 30, 2007	Three Months Ended July 1, 2006	Six Months Ended June 30, 2007	Six months Ended July 1, 2006
Interest expense				
Americas	\$ 336	\$ 329	\$ 783	\$ 703
Europe	19	15	23	45
Asia-Pacific	13	15	24	24
Consolidated total	\$ 368	\$ 359	\$ 830	\$ 772
Depreciation and amortization				
Americas	\$ 4,323	\$ 3,921	\$ 7,964	\$ 7,636
Europe	956	4,574	1,811	6,371
Asia-Pacific	1,993	784	3,906	2,004
Consolidated total	\$ 7,272	\$ 9,279	\$ 13,681	\$ 16,011
Other (income) expense				
Americas	\$ (227)	\$ (763)	\$ (362)	\$ (835)
Europe	(298)	129	(230)	(332)
Asia-Pacific	(20)	(305)	(293)	(343)
Consolidated total	\$ (545)	\$ (939)	\$ (885)	\$ (1,510)
Income taxes				
Americas	\$ 1,876	\$ (2,135)	\$ 2,170	\$ 1,092
Europe	896	(1,515)	2,503	(704)
Asia-Pacific	635	1,090	1,882	2,210
Consolidated total	\$ 3,407	\$ (2,560)	\$ 6,555	\$ 2,598
Earnings (loss) from continuing operations				
Americas	\$ 1,395	\$ 12,011	\$ (67)	\$ 16,024
Europe	3,116	(16,442)	5,765	(16,875)
Asia-Pacific	3,871	4,880	8,905	10,083
Consolidated total	\$ 8,382	\$ 449	\$ 14,603	\$ 9,232
Net income (loss)				
Americas	\$ 1,395	\$ 12,011	\$ (67)	\$ 16,024

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Europe	3,116	(16,442)	5,765	(16,287)
Asia-Pacific	3,871	4,880	8,905	10,083
Consolidated total	\$ 8,382	\$ 449	\$ 14,603	\$ 9,820
Net sales				
Electronic	\$ 82,223	\$ 94,817	\$ 168,305	\$ 178,743
Automotive	33,818	31,555	67,536	62,581
Electrical	13,108	11,569	25,122	22,228
Consolidated total	\$ 129,149	\$ 137,941	\$ 260,963	\$ 263,552