

AMETEK INC/
Form 10-Q
May 01, 2015
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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, 2015

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

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(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 23, 2015 was 241,521,134 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,	
	2015	2014
Net sales	\$ 984,059	\$ 975,292
Operating expenses:		
Cost of sales, excluding depreciation	635,965	625,170
Selling, general and administrative	110,884	112,625
Depreciation	16,258	15,866
Total operating expenses	763,107	753,661
Operating income	220,952	221,631
Other expenses:		
Interest expense	(22,686)	(18,838)
Other, net	(1,480)	(3,877)
Income before income taxes	196,786	198,916
Provision for income taxes	54,679	58,330
Net income	\$ 142,107	\$ 140,586
Basic earnings per share	\$ 0.59	\$ 0.57
Diluted earnings per share	\$ 0.59	\$ 0.57
Weighted average common shares outstanding:		
Basic shares	240,947	244,911
Diluted shares	242,797	247,229
Dividends declared and paid per share	\$ 0.09	\$ 0.06

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Total comprehensive income	\$ 47,305	\$ 140,299

See accompanying notes.

Table of Contents**AMETEK, Inc.****Consolidated Balance Sheet**

(In thousands)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 406,587	\$ 377,615
Receivables, less allowance for possible losses	592,301	585,462
Inventories, net	506,086	495,896
Deferred income taxes	46,081	45,053
Other current assets	57,699	74,578
Total current assets	1,608,754	1,578,604
Property, plant and equipment, net	434,401	448,446
Goodwill	2,566,962	2,614,030
Other intangibles, net of accumulated amortization	1,579,052	1,625,561
Investments and other assets	146,071	154,322
Total assets	\$ 6,335,240	\$ 6,420,963
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 254,038	\$ 286,201
Accounts payable	381,054	386,207
Income taxes payable	30,959	27,157
Accrued liabilities	232,451	236,579
Total current liabilities	898,502	936,144
Long-term debt	1,418,638	1,427,825
Deferred income taxes	607,547	618,385
Other long-term liabilities	146,691	199,048
Total liabilities	3,071,378	3,181,402
Stockholders' equity:		
Common stock	2,595	2,589
Capital in excess of par value	516,075	491,750
Retained earnings	3,590,387	3,469,923
Accumulated other comprehensive loss	(361,696)	(266,894)
Treasury stock	(483,499)	(457,807)
Total stockholders' equity	3,263,862	3,239,561
Total liabilities and stockholders' equity	\$ 6,335,240	\$ 6,420,963

See accompanying notes.

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

	Three Months Ended March 31,	
	2015	2014
Cash provided by (used for):		
Operating activities:		
Net income	\$ 142,107	\$ 140,586
Adjustments to reconcile net income to total operating activities:		
Depreciation and amortization	35,260	33,250
Deferred income taxes	(1,267)	(698)
Share-based compensation expense	4,862	4,166
Net change in assets and liabilities, net of acquisitions	(8,491)	(13,734)
Pension contribution	(50,770)	(903)
Other	225	(1,706)
Total operating activities	121,926	160,961
Investing activities:		
Additions to property, plant and equipment	(14,372)	(14,460)
Purchases of businesses, net of cash acquired		(161,489)
Other		2,364
Total investing activities	(14,372)	(173,585)
Financing activities:		
Net change in short-term borrowings	(24,704)	(6,516)
Reduction in long-term borrowings	(450)	(221)
Repurchases of common stock	(25,660)	(9)
Cash dividends paid	(21,642)	(14,662)
Excess tax benefits from share-based payments	6,082	2,558
Proceeds from employee stock plans	13,129	3,936
Total financing activities	(53,245)	(14,914)
Effect of exchange rate changes on cash and cash equivalents	(25,337)	(2,330)
Increase (decrease) in cash and cash equivalents	28,972	(29,868)
Cash and cash equivalents:		
As of January 1	377,615	295,203
As of March 31	\$ 406,587	\$ 265,335

See accompanying notes.

Table of Contents**AMETEK, Inc.****Notes to Consolidated Financial Statements****March 31, 2015**

(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, 2015, and the consolidated results of its operations and its cash flows for the three months ended March 31, 2015 and 2014 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, 2014 as filed with the Securities and Exchange Commission.

2. Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). ASU 2014-08 revised guidance to only allow disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity) and that have a major effect on a reporting entity's operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. The Company adopted ASU 2013-08 effective January 1, 2015 and the adoption did not have an impact on the Company's consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued 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, 2016 and can be adopted by the Company using either a full retrospective or modified retrospective approach, with early adoption prohibited. The Company continues to evaluate the impacts and monitor the developments related to ASU 2014-09. The Company has not determined the impact ASU 2014-09 may have on the Company's consolidated results of operations, financial position or cash flows nor 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. ASU 2014-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-02 to 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. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. The new guidance will be applied on a retrospective basis and early adoption is permitted. The Company does not expect the adoption of ASU 2015-03 to have a significant impact on the Company's consolidated results of operations, financial position or cash flows.

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(Unaudited)

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,	
	2015	2014
	(In thousands)	
Weighted average shares:		
Basic shares	240,947	244,911
Equity-based compensation plans	1,850	2,318
Diluted shares	242,797	247,229

4. Accumulated Other Comprehensive Income (Loss)

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