

NOVANTA INC
Form 10-Q
May 08, 2018

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 30, 2018

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 No. 001-35083

Novanta Inc.

(Exact name of registrant as specified in its charter)

New Brunswick, Canada (State or other jurisdiction of incorporation or organization)	98-0110412 (I.R.S. Employer Identification No.)
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125 Middlesex Turnpike

Bedford, Massachusetts, USA (Address of principal executive offices)	01730 (Zip Code)
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(781) 266-5700

(Registrant's telephone number, including area code)

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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 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 (Section 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 4, 2018, there were 34,697,485 of the Registrant’s common shares, no par value, issued and outstanding.

NOVANTA INC.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

NOVANTA INC.

CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars or shares)

(Unaudited)

	March 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 111,127	\$ 100,057
Accounts receivable, net of allowance of \$403 and \$554, respectively	76,915	81,482
Inventories	98,812	91,278
Prepaid income taxes and income taxes receivable	2,955	4,387
Prepaid expenses and other current assets	8,266	10,675
Total current assets	298,075	287,879
Property, plant and equipment, net	61,591	61,718
Deferred tax assets	6,829	7,052
Other assets	1,615	4,018
Intangible assets, net	151,816	155,048
Goodwill	213,822	210,988
Total assets	\$ 733,748	\$ 726,703
LIABILITIES, NONCONTROLLING INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 9,123	\$ 9,119
Accounts payable	41,717	39,793
Income taxes payable	2,529	5,942
Accrued expenses and other current liabilities	38,242	43,314
Total current liabilities	91,611	98,168
Long-term debt	224,098	225,500
Deferred tax liabilities	26,060	25,672
Income taxes payable	3,935	3,754
Other liabilities	14,517	15,141
Total liabilities	360,221	368,235
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interest	54,916	46,923
Stockholders' equity:		
Common shares, no par value; Authorized shares: unlimited;		
Issued and outstanding: 34,685 and 34,595, respectively	423,856	423,856
Additional paid-in capital	32,550	33,309

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Accumulated deficit	(123,470)	(127,740)
Accumulated other comprehensive loss	(14,325)	(17,880)
Total stockholders' equity	318,611	311,545
Total liabilities, noncontrolling interest and stockholders' equity	\$733,748	\$ 726,703

The accompanying notes are an integral part of these consolidated financial statements.

NOVANTA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of U.S. dollars or shares, except per share amounts)

(Unaudited)

	Three Months Ended	
	March	March
	30,	31,
	2018	2017
Revenue	\$ 146,965	\$ 108,974
Cost of revenue	84,806	62,880
Gross profit	62,159	46,094
Operating expenses:		
Research and development and engineering	11,989	9,215
Selling, general and administrative	29,220	22,874
Amortization of purchased intangible assets	3,698	2,849
Restructuring, acquisition and divestiture related costs	25	817
Total operating expenses	44,932	35,755
Operating income	17,227	10,339
Interest income (expense), net	(2,358)	(1,328)
Foreign exchange transaction gains (losses), net	(407)	(1)
Other income (expense), net	(41)	(31)
Gain on acquisition of business	—	26,409
Income before income taxes	14,421	35,388
Income tax provision	1,584	1,114
Consolidated net income	12,837	34,274
Less: Net income attributable to noncontrolling interest	(926)	(22)
Net income attributable to Novanta Inc.	\$ 11,911	\$ 34,252
Earnings per common share attributable to Novanta Inc. (Note 4):		
Basic	\$0.19	\$0.99
Diluted	\$0.18	\$0.98
Weighted average common shares outstanding—basic	34,887	34,765
Weighted average common shares outstanding—diluted	35,428	35,125

The accompanying notes are an integral part of these consolidated financial statements.

NOVANTA INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of U.S. dollars)

(Unaudited)

	Three Months Ended	
	March	March
	30,	31,
	2018	2017
Consolidated net income	\$ 12,837	\$ 34,274
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax (1)	3,671	1,440
Pension liability adjustments, net of tax (2)	(116)	205
Total other comprehensive income	3,555	1,645
Total consolidated comprehensive income	16,392	35,919
Less: Comprehensive income attributable to noncontrolling interest	(926)	(22)
Comprehensive income attributable to Novanta Inc.	\$ 15,466	\$ 35,897

(1) The tax effect on this component of comprehensive income was nominal for all periods presented.

(2) The tax effect on this component of comprehensive income was nominal for all periods presented. See Note 3 for the total amount of pension liability adjustments reclassified out of accumulated other comprehensive income (loss).

The accompanying notes are an integral part of these consolidated financial statements.

NOVANTA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

(Unaudited)

	Three Months Ended	
	March 30, 2018	March 31, 2017
Cash flows from operating activities:		
Consolidated net income	\$ 12,837	\$ 34,274
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	9,067	6,482
Provision for inventory excess and obsolescence	810	549
Share-based compensation	2,044	1,469
Deferred income taxes	235	(1,607)
Earnings from equity-method investment	—	(104)
Gain on acquisition of business	—	(26,409)
Inventory acquisition fair value adjustment	—	1,035
Other	94	509
Changes in assets and liabilities which (used)/provided cash, excluding effects from businesses acquired:		
Accounts receivable	5,421	(3,690)
Inventories	(7,423)	(4,414)
Prepaid income taxes, income taxes receivable, prepaid expenses and other current assets	3,918	(462)
Accounts payable, income taxes payable, accrued expenses and other current liabilities	(6,357)	4,851
Other non-current assets and liabilities	(237)	277
Cash provided by operating activities	20,409	12,760
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,933)	(1,760)
Acquisition of businesses, net of cash acquired	—	(34,896)
Other investing activities	52	—
Cash used in investing activities		