FRANKLIN ELECTRIC CO INC
Form 10-Q
August 02, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 2, 2016

OR

o 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 0-362

FRANKLIN ELECTRIC CO., INC.
(Exact name of registrant as specified in its charter)

Indiana	35-0827455
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9255 Coverdale Road	
Fort Wayne, Indiana	46809
(Address of principal executive offices)	(Zip Code)

(260) 824-2900
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 x NO o

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 x NO o

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 x Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company o

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

YES o NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at July 25, 2016
$.10 par value	46,214,027 shares

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FRANKLIN ELECTRIC CO., INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Second Quarter Ended		Six Months Ended	
(In thousands, except per share amounts)	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net sales	$252,081	$247,427	$470,511	$473,155
Cost of sales	161,403	167,219	305,597	321,457
Gross profit	90,678	80,208	164,914	151,698
Selling, general, and administrative expenses	57,954	56,278	110,299	111,438
Restructuring expense	45	758	865	1,221
Operating income	32,679	23,172	53,750	39,039
Interest expense	(2,221)	(2,405)	(4,648)	(5,113)
Other income, net	1,373	1,390	1,341	4,409
Foreign exchange income/(expense)	315	(359)	238	57
Income before income taxes	32,146	21,798	50,681	38,392
Income tax expense	7,959	5,360	12,914	1,978
Net income	$24,187	$16,438	$37,767	$36,414
Less: Net income attributable to noncontrolling interests	(205)	(274)	(328)	(455)
Net income attributable to Franklin Electric Co., Inc.	$23,982	$16,164	$37,439	$35,959
Income per share:				
Basic	$0.51	$0.33	$0.79	$0.74
Diluted	$0.50	$0.33	$0.78	$0.74
Dividends per common share	$0.1000	$0.0975	$0.1975	$0.1875

See Notes to Condensed Consolidated Financial Statements.

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FRANKLIN ELECTRIC CO., INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(Unaudited)

(In thousands)	Second Quarter Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net income	$24,187	$16,438	$37,767	$36,414
Other comprehensive income/(loss), before tax:				
Foreign currency translation adjustments	908	(313)	13,933	(28,195)
Employee benefit plan activity	743	988	1,485	1,975
Other comprehensive income/(loss)	1,651	675	15,418	(26,220)
Income tax expense related to items of other comprehensive income/(loss)	(266)	(334)	(532)	(667)
Other comprehensive income/(loss), net of tax	1,385	341	14,886	(26,887)
Comprehensive income	25,572	16,779	52,653	9,527
Less: Comprehensive income attributable to noncontrolling interests	154	224	362	54
Comprehensive income attributable to Franklin Electric Co., Inc.	$25,418	$16,555	$52,291	$9,473

See Notes to Condensed Consolidated Financial Statements.

FRANKLIN ELECTRIC CO., INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands)	July 2, 2016	January 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$71,582	$81,561
Receivables, less allowances of $3,900 and $3,801, respectively	161,972	127,251
Inventories:		
Raw material	85,986	82,223
Work-in-process	17,682	18,384
Finished goods	106,974	93,987
Total inventories	210,642	194,594
Other current assets	29,531	34,715
Total current assets	473,727	438,121
Property, plant, and equipment, at cost:		
Land and buildings	116,434	117,753
Machinery and equipment	239,907	233,834
Furniture and fixtures	39,683	39,639
Other	30,334	19,845
Property, plant, and equipment, gross	426,358	411,071
Less: Allowance for depreciation	(230,442)	(221,032)
Property, plant, and equipment, net	195,916	190,039
Asset held for sale	1,987	1,613
Deferred income taxes	4,839	3,461
Intangible assets, net	140,850	141,357
Goodwill	201,365	199,847
Other assets	22,279	21,673
Total assets	$1,040,963	$996,111

	July 2, 2016	January 2, 2016
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$56,983	$57,822
Accrued expenses and other current liabilities	58,686	52,109
Income taxes	2,950	1,794
Current maturities of long-term debt and short-term borrowings	55,673	32,946
Total current liabilities	174,292	144,671
Long-term debt	157,203	187,806
Deferred income taxes	39,289	33,404
Employee benefit plans	42,337	47,398
Other long-term liabilities	18,660	16,511
Commitments and contingencies (see Note 14)	—	—
Redeemable noncontrolling interest	7,617	6,856
Shareowners' equity:		
Common stock (65,000 shares authorized, $.10 par value) outstanding (46,209 and 46,219, respectively)	4,621	4,622
Additional capital	221,221	216,472
Retained earnings	521,008	498,214
Accumulated other comprehensive loss	(146,756)	(161,608)
Total shareowners' equity	600,094	557,700
Noncontrolling interest	1,471	1,765
Total equity	601,565	559,465
Total liabilities and equity	$1,040,963	$996,111

See Notes to Condensed Consolidated Financial Statements.

FRANKLIN ELECTRIC CO., INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended July 2, 2016	Six Months Ended July 4, 2015
Cash flows from operating activities:		
Net income	$37,767	$36,414
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	17,633	18,044
Share-based compensation	4,155	3,457
Deferred income taxes	2,961	(6,111)
Loss on disposals of plant and equipment	1,681	202
Realized gain on share purchase liability	—	(2,723)
Foreign exchange income	(238)	(57)
Excess tax from share-based payment arrangements	—	(811)
Changes in assets and liabilities, net of acquisitions		
Receivables	(31,221)	(16,655)
Inventory	(10,982)	(6,355)
Accounts payable and accrued expenses	3,091	(15,110)
Income taxes	2,502	3,874
Employee benefit plans	(3,910)	(3,137)
Other, net	5,872	(4,000)
Net cash flows from operating activities	29,311	7,032
Cash flows from investing activities:		
Additions to property, plant, and equipment	(19,490)	(9,758)
Proceeds from sale of property, plant, and equipment	2,166	402
Cash paid for acquisitions, net of cash acquired	—	(3,761)
Additional consideration for prior acquisition, net	—	(267)
Other, net	178	174
Net cash flows from investing activities	(17,146)	(13,210)
Cash flows from financing activities:		
Proceeds from issuance of debt	62,052	181,967
Repayment of debt	(69,903)	(134,190)
Proceeds from issuance of common stock	610	1,240
Excess tax from share-based payment arrangements	—	811
Purchases of common stock	(4,736)	(6,218)
Dividends paid	(9,821)	(9,783)
Share purchase liability payment	—	(20,200)
Net cash flows from financing activities	(21,798)	13,627
Effect of exchange rate changes on cash	(346)	(3,556)
Net change in cash and equivalents	(9,979)	3,893
Cash and equivalents at beginning of period	81,561	59,141
Cash and equivalents at end of period	$71,582	$63,034

	Six Months Ended	
	July 2, 2016	July 4, 2015
Cash paid for income taxes, net of refunds	$9,400	$8,074
Cash paid for interest	$4,944	$5,401
Non-cash items:		
Additions to property, plant, and equipment, not yet paid	$321	$569
Payable to seller of Bombas Leao	$24	$24

See Notes to Condensed Consolidated Financial Statements.

FRANKLIN ELECTRIC CO., INC. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated balance sheet as of January 2, 2016, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements as of July 2, 2016, and for the second quarters and six months ended July 2, 2016 and July 4, 2015 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, all accounting entries and adjustments (including normal, recurring adjustments) considered necessary for a fair presentation of the financial position and the results of operations for the interim period have been made. Operating results for the second quarter and six months ended July 2, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016. For further information, including a description of the critical accounting policies of Franklin Electric Co., Inc. (the "Company"), refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 2, 2016.

2. ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This standard simplifies several aspects of the accounting for employee share-based payment transactions including the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification, and the classification of those taxes paid on the statement of cash flows. This ASU is effective for annual and interim periods beginning after December 15, 2016 with early adoption permitted.

The Company early adopted ASU 2016-09 during the second quarter ended July 2, 2016. The primary impact of adoption was the recognition of excess tax benefits or deficiencies in the provision for income taxes rather than paid-in capital for all periods in fiscal year 2016. The Company has elected to continue its current policy of estimating forfeitures rather than recognizing forfeitures when they occur.

Under ASU 2016-09, excess income tax benefits from stock-based compensation arrangements are classified as cash flows from operations, rather than as cash flows from financing activities. The Company elected to apply the cash flow presentation requirements prospectively.

The standard also clarifies that cash flows related to employee taxes paid by withheld shares should be classified as a financing activity. This provision had no impact to the Company, because these cash flows have historically been presented as financing activities.

Early adoption of the standard requires reflected adjustments as of January 3, 2016, the beginning of the annual period that includes the interim period of adoption. As such, previously reported first quarter 2016 results were impacted as follows:

(In thousands, except per share amounts)	First Quarter Ended April 2, 2016		
	As previously reported	Adjustment	As adjusted
Income statements:			
Income tax expense	$4,955	$ 12	$4,967
Net income attributable to Franklin Electric Co., Inc.	$13,457	$ (12)	$13,445
Basic earnings per share	$0.28	$ —	$0.28
Diluted earnings per share	$0.28	$ —	$0.28
Diluted weighted average shares outstanding	46,445	60	46,505
Cash flow statements:			
Net cash from operating activities	$(437)	$ 53	$(384)
Net cash from financing activities	$3,572	$ (53)	$3,519
Balance sheets:			
Additional capital	$219,400	$ 12	$219,412
Retained earnings	$502,512	$ (12)	$502,500

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability instead of a deferred asset. The standard does not change the amortization of debt issuance costs, which will continue to follow the existing accounting guidance. The Company adopted ASU 2015-03 during the first quarter ended April 2, 2016. The retrospective adoption of this ASU required a total of approximately $0.3 million of unamortized debt issuance costs as of year-end 2015 to be reclassified from "Other assets" and "Other current assets" to a direct deduction from "Long-term debt" in the Company's condensed consolidated balance sheet as of January 2, 2016. In addition, there were no impacts to the Company's results of operations, retained earnings, or cash flows in the current or previous interim and annual reporting periods.

Accounting Standards Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance on accounting for leases found in Accounting Standards Codification ("ASC") Topic 840. This ASU requires lessees to present right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for interim and annual periods beginning after December 15, 2018 with early adoption permitted. The Company is still in the process of analyzing the effect of this new standard to determine the impact on the Company's consolidated financial position, results of operations, cash flows, and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. ASU 2016-10 clarifies the implementation guidance on identifying performance obligations. These ASUs are effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before interim and annual reporting periods beginning after December

15, 2016. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt these standards. The Company is still in the process of analyzing the effect of these new standards, including the transition method, to determine the impact on the Company's consolidated financial position, results of operations, cash flows, and related disclosures.

3. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurements and Disclosures, provides guidance for defining, measuring, and disclosing fair value within an established framework and hierarchy. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard established a fair value hierarchy which requires an entity to maximize the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value within the hierarchy are as follows:

Level 1 – Quoted prices for identical assets and liabilities in active markets;

Level 2 – Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As of July 2, 2016 and January 2, 2016, the assets measured at fair value on a recurring basis were as set forth in the table below:

(In millions)	July 2, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 2.5	$ 2.5	$ —	$ —

	January 2, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 3.9	$ 3.9	$ —	$ —

The Company's Level 1 assets consist of cash equivalents which are generally comprised of foreign bank guaranteed certificates of deposit.

Total debt, including current maturities, have carrying amounts of $212.9 million and $220.7 million and estimated fair values of $218 million and $225 million as of July 2, 2016 and January 2, 2016, respectively. In the absence of quoted prices in active markets, considerable judgment is required in developing estimates of fair value. Estimates are not necessarily indicative of the amounts the Company could realize in a current market transaction. In determining the fair value of its debt, the Company uses estimates based on rates currently available to the Company for debt with similar terms and remaining maturities. Accordingly, the fair value of debt is classified as Level 2 within the valuation hierarchy.

As of July 2, 2016 and January 2, 2016, the Company also had $2.0 million and $1.6 million of assets held for sale, respectively, recorded at carrying value in the Water Systems segment relating to an idle facility in Brazil.

4. FINANCIAL INSTRUMENTS

The Company’s deferred compensation stock program is subject to variable plan accounting and, accordingly, is adjusted for changes in the Company’s stock price at the end of each reporting period. The Company has entered into share swap transaction agreements ("the swap") to mitigate the Company’s exposure to the fluctuations in the Company's stock price. The swap has not been designated as a hedge for accounting purposes and is cancellable with 30 days written notice by either party. As of July 2, 2016, the swap had a notional value based on 205,000 shares. For the second quarter and six months ended July 2, 2016, the swap resulted in gains of $0.3 million and $1.1 million, respectively. For the second quarter and six months ended July 4, 2015, the swap resulted in losses of $0.9 million and $1.0 million, respectively. Gains and losses on the swap were primarily offset by gains and losses on the fair value of the deferred compensation stock liability. All gains or losses and expenses related to the swap are recorded in the Company's condensed consolidated statements of income within the “Selling, general, and administrative expenses” line.

5. OTHER ASSETS
The Company has equity interests in various companies for various strategic purposes. The investments are accounted for under the equity method and are included in “Other assets” on the Company’s condensed consolidated balance sheets. The carrying amount of the investments is adjusted for the Company's proportionate share of earnings, losses, and dividends. The investments are not considered material to the Company’s financial position, neither individually nor in the aggregate. The Company’s proportionate share of earnings from its equity interests, included in the "Other income, net" line of the Company's condensed consolidated statements of income, were immaterial for the second quarters and six months ended July 2, 2016 and July 4, 2015.

6. GOODWILL AND OTHER INTANGIBLE ASSETS
The carrying amounts of the Company’s intangible assets are as follows:

(In millions)	July 2, 2016		January 2, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangibles:				
Patents	$7.5	$ (6.3)	$7.4	$ (6.2)
Technology	7.5	(5.1)	7.5	(4.8)
Customer relationships	135.4	(46.6)	132.6	(42.3)
Software	2.5	(1.8)	2.5	(1.7)
Other	0.3	(0.3)	1.0	(1.0)
Total	$153.2	$ (60.1)	$151.0	$ (56.0)
Unamortized intangibles:				
Trade names	47.8	—	46.4	—
Total intangibles	$201.0	$ (60.1)	$197.4	$ (56.0)

Amortization expense related to intangible assets for the second quarters ended July 2, 2016 and July 4, 2015 was $2.1 million and $2.2 million, respectively and $4.1 million and $4.4 million for the six months ended July 2, 2016 and July 4, 2015, respectively.

Amortization expense for each of the five succeeding years is projected as follows:

(In millions)	2016	2017	2018	2019	2020
	$8.6	$8.5	$8.5	$8.3	$8.2

The change in the carrying amount of goodwill by reporting segment for the six months ended July 2, 2016, is as follows:
(In millions)

	Water Systems	Fueling Systems	Consolidated
Balance as of January 2, 2016	$136.8	$ 63.0	$ 199.8
Foreign currency translation	1.9	(0.3)	1.6
Balance as of July 2, 2016	$138.7	$ 62.7	$ 201.4

7. EMPLOYEE BENEFIT PLANS
Defined Benefit Plans - As of July 2, 2016, the Company maintained two domestic pension plans and three German pension plans. The Company used a January 2, 2016 measurement date for these plans. One of the Company's domestic pension plans covers two management employees (one active employee and one former employee), while the other domestic plan covers all other eligible employees. The two domestic and three German plans collectively comprise the 'Pension Benefits' disclosure caption.

Other Benefits - The Company's other postretirement benefit plan provides health and life insurance to domestic employees hired prior to 1992.

The following table sets forth the aggregated net periodic benefit cost for all pension plans for the second quarters and six months ended July 2, 2016 and July 4, 2015:

(In millions)	Pension Benefits			
	Second Quarter Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Service cost	$0.3	$0.3	$0.5	$0.6
Interest cost	1.6	1.8	3.1	3.6
Expected return on assets	(2.4)	(2.5)	(4.7)	(5.0)
Amortization of loss	0.7	0.8	1.3	1.6
Net periodic benefit cost	$0.2	$0.4	$0.2	$0.8
Settlement cost	0.3	0.3	0.6	0.6
Total net periodic benefit cost	$0.5	$0.7	$0.8	$1.4

In the six months ended July 2, 2016, the Company made contributions of $1.1 million to the funded plans. The amount of contributions to be made to the plans during the calendar year 2016 will be finalized by September 15, 2016, based upon the plans' year-end valuation at January 2, 2016, and the funding level required for the plans' year ended January 2, 2016.

The following table sets forth the aggregated net periodic benefit cost for the postretirement benefit plan for the second quarters and six months ended July 2, 2016 and July 4, 2015, respectively:

(In millions)	Other Benefits			
	Second Quarter Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Service cost	$—	$—	$—	$—
Interest cost	0.1	0.1	0.2	0.2
Expected return on assets	—	—	—	—
Amortization of prior service cost	0.1	0.1	0.2	0.2
Amortization of loss	—	0.1	—	0.2
Net periodic benefit cost	$0.2	$0.3	$0.4	$0.6
Settlement cost	—	—	—	—
Total net periodic benefit cost	$0.2	$0.3	$0.4	$0.6

8. INCOME TAXES

The Company’s effective tax rate for the six month period ended July 2, 2016 was 25.5 percent as compared to 5.2 percent for the six month period ended July 4, 2015.

The effective tax rate continues to be lower than the U.S. statutory rate primarily due to the indefinite reinvestment of foreign earnings taxed at rates below the U.S. statutory rate as well as recognition of U.S. incentives and credits. The Company has the ability to indefinitely reinvest these foreign earnings based on the earnings and cash projections of its other operations as well as cash on hand and available credit.

In addition during the three month period ended April 4, 2015, the Company settled the liability for the noncontrolling interest of a subsidiary during the first quarter. This transaction created additional accretive benefits for the Company from the reversal of a deferred tax liability created in 2012 when the Company acquired the controlling interest, and realized a gain on the then equity investment in, such subsidiary. The Company also realized a gain on the mandatorily redeemable noncontrolling interest liability.

9. DEBT

Debt consisted of the following:

(In millions)	July 2, 2016	January 2, 2016
Prudential Agreement	$90.0	$ 120.0
Tax increment financing debt	22.3	22.8
New York Life	75.0	75.0
Revolver	22.0	—
Capital leases	0.1	0.1
Foreign subsidiary debt	3.8	3.1
Less: unamortized debt issuance costs	(0.3)	(0.3)
	$212.9	$ 220.7
Less: current maturities	(55.7)	(32.9)
Long-term debt	$157.2	$ 187.8

During the six months and second quarter ended July 2, 2016, a portion of the Revolver borrowing was used for seasonal working capital needs.

Debt outstanding, excluding unamortized debt issuance costs, at July 2, 2016 matures as follows:

(In millions)	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More Than 5 Years
Debt	$213.1	$55.7	$31.1	$31.2	$1.3	$1.2	$92.6
Capital leases	0.1	—	0.1	—	—	—	—
	$213.2	$55.7	$31.2	$31.2	$1.3	$1.2	$92.6

10. EARNINGS PER SHARE

The Company calculates basic and diluted earnings per common share using the two-class method. Under the two-class method, net earnings are allocated to each class of common stock and participating security as if all of the net earnings for the period had been distributed. The Company's participating securities consist of share-based payment awards that contain a nonforfeitable right to receive dividends and therefore are considered to participate in undistributed earnings with common shareholders.

Basic earnings per common share excludes dilution and is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings allocated to common shares by the weighted-average number of common shares outstanding for the period, as adjusted for the potential dilutive effect of non-participating share-based awards.

The following table sets forth the computation of basic and diluted earnings per share:

(In millions, except per share amounts)	Second Quarter Ended July 2, 2016	Second Quarter Ended July 4, 2015	Six Months Ended July 2, 2016	Six Months Ended July 4, 2015
Numerator:				
Net income attributable to Franklin Electric Co., Inc.	$24.0	$16.2	$37.4	$36.0
Less: Undistributed earnings allocated to participating securities	0.2	0.1	0.3	0.3
Less: Undistributed earnings allocated to redeemable noncontrolling interest	0.3	0.1	0.8	0.2
	$23.5	$16.0	$36.3	$35.5
Denominator:				
Basic				
Weighted average common shares	46.2	47.6	46.2	47.6
Diluted				
Effect of dilutive securities:				
Non-participating employee stock options and performance awards	0.5	0.5	0.4	0.5
Adjusted weighted average common shares	46.7	48.1	46.6	48.1
Basic earnings per share	$0.51	$0.33	$0.79	$0.74
Diluted earnings per share	$0.50	$0.33	$0.78	$0.74
Anti-dilutive stock options	0.5	0.3	0.7	0.3

11. EQUITY ROLL FORWARD

The schedule below sets forth equity changes in the six months ended July 2, 2016:

(In thousands)	Common Stock	Additional Paid in Capital	Retained Earnings	Minimum Pension Liability	Cumulative Translation Adjustment	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
Balance as of January 2, 2016	$4,622	$216,472	$498,214	$(51,558)	$(110,050)	$ 1,765	$559,465	$ 6,856
Net income			37,439			345	37,784	(17)
Adjustment to Impo redemption value			(778)				(778)	778
Dividends on common stock			(9,148)				(9,148)	
Common stock issued	3	607					610	
Common stock repurchased	(17)		(4,719)				(4,736)	
Share-based compensation	13	4,142					4,155	
Noncontrolling dividend						(673)	(673)	
Currency translation adjustment					13,899	34	13,933	—
Pension liability, net of tax				953			953	
Balance as of July 2, 2016	$4,621	$221,221	$521,008	$(50,605)	$(96,151)	$ 1,471	$601,565	$ 7,617

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12. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Changes in accumulated other comprehensive income/(loss) by component for the six months ended July 2, 2016 and July 4, 2015, are summarized below:

(In millions)

For the six months ended July 2, 2016:	Foreign Currency Translation Adjustments	Pension and Post-Retirement Plan Benefit Adjustments	Total
Balance as of January 2, 2016	$ (110.1)	$ (51.5)	$ (161.6)
Other comprehensive income/(loss) before reclassifications:			
Pre-tax income/(loss)	14.0	—	14.0
Income tax (expense)/benefit	—	—	—
Other comprehensive income/(loss) before reclassifications, net of income taxes	14.0	—	14.0