

PREFORMED LINE PRODUCTS CO

Form 10-Q

November 07, 2014

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**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 September 30, 2014**

**Commission file number: 0-31164**

**Preformed Line Products Company**

**(Exact Name of Registrant as Specified in Its Charter)**

**Ohio**  
**(State or Other Jurisdiction of**

**Incorporation or Organization)**

**34-0676895**  
**(I.R.S. Employer**

**Identification No.)**

**660 Beta Drive**

**Mayfield Village, Ohio**  
**(Address of Principal Executive Office)**

**44143**  
**(Zip Code)**

**(440) 461-5200**

**(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 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 common shares outstanding as of November 1, 2014: 5,354,460.

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	September 30, 2014	December 31, 2013
	(Unaudited)	
<i>(Thousands of dollars, except share and per share data)</i>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,722	\$ 24,291
Accounts receivable, less allowances of \$2,317 (\$2,136 in 2013)	72,772	67,587
Inventories - net	79,415	73,835
Deferred income taxes	7,081	7,022
Prepays	5,245	6,112
Prepaid taxes	3,873	3,733
Other current assets	7,605	3,154
<b>TOTAL CURRENT ASSETS</b>	<b>204,713</b>	<b>185,734</b>
Property, plant and equipment - net	105,138	100,461
Patents and other intangibles - net	15,009	11,787
Goodwill	18,359	13,873
Deferred income taxes	4,184	3,416
Other assets	14,711	17,135
<b>TOTAL ASSETS</b>	<b>\$ 362,114</b>	<b>\$ 332,406</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Notes payable to banks	\$ 1,233	\$ 1,105
Current portion of long-term debt	123	195
Trade accounts payable	24,686	21,750
Accrued compensation and amounts withheld from employees	14,468	10,787
Accrued expenses and other liabilities	10,958	11,118
Accrued profit-sharing and other benefits	5,161	5,086
Dividends payable	1,100	1,098
Income taxes payable and deferred income taxes	2,155	1,076
<b>TOTAL CURRENT LIABILITIES</b>	<b>59,884</b>	<b>52,215</b>
Long-term debt, less current portion	32,134	13,054
Unfunded pension obligation	4,354	5,027
Income taxes payable, noncurrent	1,549	1,556

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Deferred income taxes	5,646	3,621
Other noncurrent liabilities	5,957	4,603
<b>SHAREHOLDERS EQUITY</b>		
Shareholders equity:		
Common shares - \$2 par value per share, 15,000,000 shares authorized, 5,354,460 and 5,391,074 issued and outstanding, net of 819,424 and 779,279 treasury shares at par, respectively, at September 30, 2014 and December 31, 2013	10,709	10,782
Common shares issued to rabbi trust, 249,931 and 253,156 shares at September 30, 2014 and December 31, 2013	(9,196)	(9,306)
Deferred compensation liability	9,196	9,306
Paid-in capital	22,190	21,082
Retained earnings	243,074	238,168
Accumulated other comprehensive loss	(23,383)	(17,702)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>252,590</b>	<b>252,330</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 362,114</b>	<b>\$ 332,406</b>

*See notes to consolidated financial statements (unaudited).*

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**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED INCOME**  
**(UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2014	2013	2014	2013
	<i>(Thousands, except per share data)</i>			
Net sales	\$ 102,100	\$ 100,828	\$ 292,006	\$ 311,233
Cost of products sold	69,645	69,168	200,906	210,725
<b>GROSS PROFIT</b>	<b>32,455</b>	<b>31,660</b>	<b>91,100</b>	<b>100,508</b>
Costs and expenses				
Selling	9,444	8,874	27,010	27,226
General and administrative	10,153	10,386	32,147	33,993
Research and engineering	4,399	3,714	12,357	11,055
Other operating (income) expense - net	3,324	419	2,626	2,611
	27,320	23,393	74,140	74,885
<b>OPERATING INCOME</b>	<b>5,135</b>	<b>8,267</b>	<b>16,960</b>	<b>25,623</b>
Other income (expense)				
Interest income	138	204	345	454
Interest expense	(141)	(121)	(504)	(329)
Other income (expense) - net	162	194	236	393
	159	277	77	518
<b>INCOME BEFORE INCOME TAXES</b>	<b>5,294</b>	<b>8,544</b>	<b>17,037</b>	<b>26,141</b>
Income taxes	2,739	2,440	6,664	8,686
<b>NET INCOME</b>	<b>\$ 2,555</b>	<b>\$ 6,104</b>	<b>\$ 10,373</b>	<b>\$ 17,455</b>
<b>BASIC EARNINGS PER SHARE</b>				
Net income	\$ 0.48	\$ 1.14	\$ 1.93	\$ 3.25
<b>DILUTED EARNINGS PER SHARE</b>				
Net income	\$ 0.48	\$ 1.12	\$ 1.92	\$ 3.20
Cash dividends declared per share	\$ 0.20	\$ 0.20	\$ 0.60	\$ 0.40

Weighted-average number of shares outstanding - basic	5,372	5,361	5,384	5,369
Weighted-average number of shares outstanding - diluted	5,376	5,449	5,389	5,450

*See notes to consolidated financial statements (unaudited).*

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**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2014	2013	2014	2013
	<i>(Thousands of dollars)</i>			
Net income	\$ 2,555	\$ 6,104	\$ 10,373	\$ 17,455
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(9,813)	2,376	(5,688)	(5,764)
Recognized net actuarial loss (net of tax provision \$2 and \$46 for the three months ended September 30, 2014 and 2013, and net of tax provision \$5 and \$140 for the nine months ended September 30, 2014 and 2013)	2	77	7	230
Other comprehensive income (loss), net of tax	(9,811)	2,453	(5,681)	(5,534)
Comprehensive income (loss)	\$ (7,256)	\$ 8,557	\$ 4,692	\$ 11,921

*See notes to consolidated financial statements (unaudited).*



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**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED CASH FLOWS**  
**(UNAUDITED)**

	Nine Months Ended September 30	
	2014	2013
	<i>(Thousands of dollars)</i>	
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 10,373	\$ 17,455
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	9,584	8,987
Provision for accounts receivable allowances	773	494
Provision for inventory reserves	1,238	2,031
Deferred income taxes	(367)	(1,693)
Share-based compensation expense	788	2,199
Excess tax benefits from share-based awards	(160)	(159)
Loss (gain) on sale of property and equipment	116	(57)
Other - net	0	(11)
Changes in operating assets and liabilities (excluding impact of acquired assets):		
Accounts receivable	(5,414)	(16,079)
Inventories	(2,861)	5,204
Trade accounts payables and accrued liabilities	6,576	3,522
Income taxes payable	408	(5,153)
Other - net	30	(2,203)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>21,084</b>	<b>14,537</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(14,485)	(15,861)
Business acquisitions, net of cash acquired	(14,975)	0
Proceeds from the sale of property and equipment	123	455
Purchase of fixed term deposits	(814)	0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(30,151)</b>	<b>(15,406)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in notes payable to banks	188	312
Proceeds from the issuance of long-term debt	60,427	49,319
Payments of long-term debt	(41,416)	(43,631)
Earn-out consideration payments	0	(520)
Dividends paid	(3,312)	(1,201)
Excess tax benefits from share-based awards	160	159

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Proceeds from issuance of common shares	167	1,167
Purchase of common shares for treasury	(104)	(2,075)
Purchase of common shares for treasury from related parties	(2,130)	(1,173)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>13,980</b>	<b>2,357</b>
Effects of exchange rate changes on cash and cash equivalents	(482)	1,545
Net increase in cash and cash equivalents	4,431	3,033
Cash and cash equivalents at beginning of year	24,291	28,120
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 28,722</b>	<b>\$ 31,153</b>

*See notes to consolidated financial statements (unaudited).*

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**PREFORMED LINE PRODUCTS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*(In thousands, except share and per share data, unless specifically noted)*

NO