AMPHENOL CORP /DE/
Form 10-Q
October 26, 2018
Table of Contents

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 September 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 number: 1-10879

AMPHENOL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	22-2785165
(State of Incorporation)	(IRS Employer Identification No.)

358 Hall Avenue

Wallingford, Connecticut 06492

(Address of principal executive offices) (Zip Code)

203-265-8900

(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 every Interactive Data File required to be submitted 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 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	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 October 24, 2018, the total number of shares outstanding of the registrant's Class A Common Stock was 301,327,138.

Table of Contents

Amphenol Corporation

Index to Quarterly Report

on Form 10-Q

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(dollars in millions)

	September 30, 2018	December 31, 2017
Assets		
Current Assets:		
Cash and cash equivalents	$ 998.3	$ 1,719.1
Short-term investments	21.5	34.6
Total cash, cash equivalents and short-term investments	1,019.8	1,753.7
Accounts receivable, less allowance for doubtful accounts of $27.5 and $23.0, respectively	1,737.6	1,598.6
Inventories	1,245.5	1,106.9
Other current assets	278.6	196.8
Total current assets	4,281.5	4,656.0
Property, plant and equipment, less accumulated depreciation of $1,285.6 and $1,200.1, respectively	886.4	816.8
Goodwill	4,113.7	4,042.6
Intangibles, net and other long-term assets	461.0	488.5
	$ 9,742.6	$ 10,003.9
Liabilities & Equity		
Current Liabilities:		
Accounts payable	$ 1,014.0	$ 875.6
Accrued salaries, wages and employee benefits	161.1	151.6
Accrued income taxes	184.8	154.2
Accrued dividends	69.3	58.1
Other accrued expenses	323.8	338.8
Current portion of long-term debt	790.2	1.1
Total current liabilities	2,543.2	1,579.4
Long-term debt, less current portion	2,468.3	3,541.5
Accrued pension and postretirement benefit obligations	171.0	272.0
Deferred income taxes	203.1	241.2
Other long-term liabilities	303.7	326.4

Equity:		
Common stock	0.3	0.3
Additional paid-in capital	1,410.1	1,249.0
Retained earnings	2,935.8	2,941.5
Accumulated other comprehensive loss	(337.3)	(201.0)
Total shareholders’ equity attributable to Amphenol Corporation	4,008.9	3,989.8
Noncontrolling interests	44.4	53.6
Total equity	4,053.3	4,043.4
	$ 9,742.6	$ 10,003.9

See accompanying notes to condensed consolidated financial statements.

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(dollars and shares in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales	$ 2,129.0	$ 1,840.8	$ 5,977.3	$ 5,067.4
Cost of sales	1,440.8	1,234.7	4,037.4	3,392.8
Gross profit	688.2	606.1	1,939.9	1,674.6
Acquisition-related expenses	—	—	—	4.0
Selling, general and administrative expenses	244.0	228.2	710.6	642.4
Operating income	444.2	377.9	1,229.3	1,028.2
Interest expense	(24.8)	(24.6)	(75.3)	(67.3)
Other income, net	0.2	5.1	2.5	12.9
Income before income taxes	419.6	358.4	1,156.5	973.8
Provision for income taxes	(100.0)	(78.1)	(280.8)	(212.7)
Net income	319.6	280.3	875.7	761.1
Less: Net income attributable to noncontrolling interests	(3.0)	(2.8)	(8.8)	(7.2)
Net income attributable to Amphenol Corporation	$ 316.6	$ 277.5	$ 866.9	$ 753.9
Net income per common share — Basic	$ 1.05	$ 0.91	$ 2.87	$ 2.47
Weighted average common shares outstanding — Basic	300.5	305.0	301.7	305.8
Net income per common share — Diluted	$ 1.01	$ 0.88	$ 2.76	$ 2.39
Weighted average common shares outstanding — Diluted	312.4	315.7	313.6	316.1
Dividends declared per common share	$ 0.23	$ 0.19	$ 0.65	$ 0.51

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	$ 319.6	$ 280.3	$ 875.7	$ 761.1
Total other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(54.6)	52.1	(154.2)	172.4
Unrealized (loss) gain on cash flow hedges	(0.7)	(0.6)	0.3	—
Defined benefit plan adjustment, net of tax of ($1.6) and ($4.7) for 2018 and ($2.2) and ($6.7) for 2017, respectively	5.0	4.2	14.9	12.5
Total other comprehensive (loss) income, net of tax	(50.3)	55.7	(139.0)	184.9
Total comprehensive income	269.3	336.0	736.7	946.0
Less: Comprehensive income attributable to noncontrolling interests	(1.4)	(3.6)	(6.1)	(9.3)
Comprehensive income attributable to Amphenol Corporation	$ 267.9	$ 332.4	$ 730.6	$ 936.7

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(dollars in millions)

	Nine Months Ended September 30, 2018	2017
Cash from operating activities:		
Net income	$ 875.7	$ 761.1
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	194.5	168.5
Stock-based compensation expense	40.4	37.1
Deferred income tax benefit	(41.5)	(0.6)
Net change in components of working capital	(246.4)	(252.8)
Net change in accrued pension and postretirement benefits	(77.0)	(0.7)
Net change in other long-term assets and liabilities	(11.2)	3.8
Net cash provided by operating activities	734.5	716.4
Cash from investing activities:		
Capital expenditures	(208.2)	(155.8)
Proceeds from disposals of property, plant and equipment	3.8	2.0
Purchases of short-term investments	(35.3)	(36.1)
Sales and maturities of short-term investments	48.3	140.4
Acquisitions, net of cash acquired	(158.9)	(243.5)
Net cash used in investing activities	(350.3)	(293.0)
Cash from financing activities:		
Proceeds from issuance of senior notes, net	—	749.3
Repayments of long-term debt	(8.7)	(375.0)
(Repayments) borrowings under commercial paper programs, net	(300.1)	173.6
Payment of costs related to debt financing	(0.3)	(5.2)
Proceeds from exercise of stock options	123.0	134.4
Distributions to and purchases of noncontrolling interests	(17.9)	(22.1)
Purchase and retirement of treasury stock	(680.2)	(555.6)
Dividend payments	(184.4)	(147.1)
Net cash used in financing activities	(1,068.6)	(47.7)
Effect of exchange rate changes on cash and cash equivalents	(36.4)	41.9

Net change in cash and cash equivalents	(720.8)	417.6
Cash and cash equivalents balance, beginning of period	1,719.1	1,034.6
Cash and cash equivalents balance, end of period	$ 998.3	$ 1,452.2
Cash paid for:		
Interest	$ 79.5	$ 78.0
Income taxes	307.7	244.1

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(amounts in millions, except share and per share data)

Note 1—Basis of Presentation and Principles of Consolidation

The condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017, the related condensed consolidated statements of income and condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2018 and 2017, and the related condensed consolidated statements of cash flow for the nine months ended September 30, 2018 and 2017 include the accounts of Amphenol Corporation and its subsidiaries ("Amphenol", the "Company", "we", "our", or "us"). All material intercompany balances and transactions have been eliminated in consolidation. The condensed consolidated financial statements included herein are unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America have been included. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements and the related notes should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "2017 Annual Report").

Deferred income tax benefit and Net change in accrued pension and postretirement benefits have been presented as separate line items within cash from operating activities for the prior period in the Company's Condensed Consolidated Statements of Cash Flow, in order to conform to the current period presentation, which had no impact on our consolidated results of operations, financial position or cash flows.

Note 2—New Accounting Pronouncements

Recently Adopted Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09", and collectively with its related subsequent amendments, "Topic 606"). Topic 606 supersedes previous revenue recognition guidance and requires entities to recognize revenue to depict 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 such goods or services. The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Under this transition method, the Company's results in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2018 are presented under Topic 606, while the comparative results for the three and nine months ended September 30, 2017 were not retrospectively adjusted, as such results were recognized in accordance with the revenue recognition policy discussed under Summary of Significant Accounting Policies in Note 1 of the Company's 2017 Annual Report.

The vast majority of our sales continue to be recognized when products are shipped from our facilities or delivered to our customers, depending on the respective contractual terms. For a nominal portion of our contracts where the accounting did change, the adoption of Topic 606 resulted in an increase to the opening balance of retained earnings of approximately $3.2 as of January 1, 2018. This impact was primarily due to the acceleration of net sales and associated net income related to certain uncompleted contracts for the manufacture of goods with no alternative use and for which we have an enforceable right to payment, including a reasonable profit margin, from the customer for performance completed to date. For these contracts, we now recognize revenue over time as control of the goods transfers, rather than when the goods are delivered, and title, risk and reward of ownership are passed to the customer, as under previous guidance.

Table of Contents

The adoption of Topic 606 did not have a material impact on our condensed consolidated financial statements as of the adoption date and as of and for the three and nine months ended September 30, 2018. Refer to Note 3 herein for further discussion regarding revenue recognition and related policies.

Other Recently Adopted Accounting Standards

In March 2017, the FASB issued ASU 2017 07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“ASU 2017 07”), requiring employers to provide more details about the components of costs related to retirement benefits. Specifically, ASU 2017 07 requires employers to report the service costs for providing pensions to employees in the same line item as other employee compensation costs, while requiring other pension-related costs, such as interest costs, amortization of pension-related costs from prior periods, and the gains or losses on plan assets, to be reported separately and outside of the subtotal of operating income. ASU 2017 07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company adopted ASU 2017 07 in the first quarter of 2018, which did not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017 09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017 09”), which provides guidance to determine which changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting in Topic 718. ASU 2017 09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted, and requires prospective application to changes in terms or conditions of awards occurring on or after the adoption date. The Company adopted ASU 2017 09 in the first quarter of 2018, which did not have any impact on our consolidated financial statements.

In March 2018, the FASB issued ASU 2018 05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (“ASU 2018-05”), which addresses the application of U.S. GAAP when preparing the initial accounting for the income tax effects of a change in tax laws or rates. SEC Staff Accounting Bulletin No. 118 (“SAB 118”) was issued in December 2017 to provide immediate accounting guidance resulting from the enactment of the Tax Cuts and Jobs Act (“Tax Act”) on December 22, 2017. ASU 2018-05 codifies the guidance of SAB 118 within FASB ASC Topic 740, Income Taxes (“ASC 740”), including guidance allowing for the recognition of provisional amounts in situations where the related accounting is not complete and reasonable estimates can be made at the time that financial statements are issued covering the reporting period that includes the enactment date of the Tax Act, as well as allowing for a measurement period of up to one year from the enactment date to finalize the accounting related to the Tax Act. Previously, ASC 740 did not directly address incomplete accounting for the effects of a change in tax laws or rates. The Company followed the guidance under SAB 118 in the fourth quarter of 2017 when the provisional income tax charge (“Tax Act Charge”) associated with the Tax Act was estimated and recorded. Refer to Note 14 herein for further details regarding the Tax Act.

Accounting Standards Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016 02”), which amends, among other things, the existing guidance by requiring lessees to recognize lease assets (right-of-use) and liabilities (for reasonably certain lease payments) arising from operating leases on the balance sheet. For leases with a term of twelve months or less, ASU 2016 02 permits an entity to make an accounting policy election to not recognize a right-of-use asset nor lease liability, but rather to recognize such leases as lease expense, generally on a straight-line basis over the lease term. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, which clarified various aspects of the guidance under ASU 2016-02. ASU 2016 02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Originally, entities were required to adopt ASU 2016-02 using a modified retrospective approach, which required prior periods to be presented under this new standard. However, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which now allows entities the option of recognizing the cumulative effect of applying the new standard as an adjustment to the opening balance of retained earnings in the year of adoption while continuing to present all prior periods under previous lease accounting guidance. The Company has implemented a new lease management system that will facilitate the adoption of this new standard and ensure all requirements are met for both reporting and

Table of Contents

disclosure purposes, while we continue to review and implement the necessary changes to our existing policies, processes and controls to ensure compliance. While the Company continues to evaluate the impact that ASU 2016-02 will have on our consolidated financial statements and related disclosures, the actual impact of the standard will be dependent upon the Company's lease portfolio at adoption. ASU 2016-02 also provides various optional practical expedients in transition, which we continue to evaluate. The Company will adopt ASU 2016-02 in the first quarter of 2019 using the modified retrospective transition approach allowed under ASU 2018-11, and will recognize the cumulative effect of applying the new standard as an adjustment to the opening balance of retained earnings as of January 1, 2019. Upon adoption, we will recognize a right-of-use asset and a corresponding lease liability for our operating lease commitments on our balance sheet, and will also provide new disclosures about our leasing activities.

In February 2018, the FASB issued ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"), which amends the standard on comprehensive income by providing an option for an entity to reclassify stranded tax effects of the Tax Act from accumulated other comprehensive income directly to retained earnings. The stranded tax effects result from the remeasurement of net deferred tax positions that were originally recorded in comprehensive income but whose remeasurement was reflected in the income statement in 2017. ASU 2018-02 only applies to the effects of the Tax Act and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. ASU 2018-02 may be applied either at the beginning of the period of adoption or on a retrospective basis to any period in which the impacts of the Tax Act are recognized. The comparative prior periods will not be restated and will continue to be reported under the accounting standards in effect for those periods. The adoption of ASU 2018-02 will result in the reclassification of the stranded tax effects of the Tax Act from Accumulated other comprehensive loss to Retained earnings on the consolidated balance sheet. The Company plans to early adopt ASU 2018-02 in the fourth quarter of 2018, as of October 1, 2018, which will not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which adds, amends and removes certain disclosure requirements related to fair value measurements. Among other changes, this standard requires certain additional disclosure surrounding Level 3 assets, including changes in unrealized gains or losses in other comprehensive income and certain inputs in those measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Certain amended or eliminated disclosures in this standard may be adopted early, while certain additional disclosure requirements in this standard can be adopted on its effective date. In addition, certain changes in the standard require retrospective adoption, while other changes must be adopted prospectively. The Company is currently evaluating ASU 2018-13 and its impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans ("ASU 2018-14"), which amends the current annual disclosure requirements related to defined benefit pension and other postretirement plans by adding new requirements, removing certain requirements and providing clarification on existing requirements. ASU 2018-14 does not amend the interim disclosure requirements of existing guidance and is effective for fiscal years ending after December 31, 2020, with early adoption permitted and must be applied on a retrospective basis. The Company is currently evaluating ASU 2018-14 and its impact on our consolidated financial statements.

The Securities and Exchange Commission has also recently issued several final rules, including but not limited to SEC Final Rule Release No. 33-10532 Disclosure Update and Simplification (“Final Rule”), which amends certain redundant, duplicative, outdated, superseded or overlapping disclosure requirements. This Final Rule is intended to facilitate disclosure information provided to investors and simplify compliance without significantly impacting the mix of information provided to investors. The amendments also expand the disclosure requirements regarding the analysis of stockholders' equity for interim financial statements, in which entities will be required to present a reconciliation for each period for which a statement of comprehensive income is required to be filed. While we have not yet adopted the Final Rule which is effective on November 5, 2018, we do not anticipate any material impact to our consolidated financial statements and related disclosures upon adoption.

Table of Contents

Note 3—Revenue Recognition

Prior to the adoption of Topic 606, the Company's revenue recognition policy was in accordance with ASC Topic 605, Revenue Recognition. Effective January 1, 2018, the Company adopted Topic 606 using the modified retrospective transition method, resulting in accounting policy changes surrounding revenue recognition which replaced certain related policies discussed under Critical Accounting Policies and Estimates (in Item 7) and Summary of Significant Accounting Policies (in Note 1) of the Company's 2017 Annual Report. The adoption of Topic 606 did not have a material impact on the Company's condensed consolidated financial statements. The following is a summary of the Company's revenue recognition and related accounting policies and disclosures resulting from the adoption of Topic 606.

Revenues consist of product sales to either end customers and their appointed contract manufacturers (including original equipment manufacturers) or to distributors, and the vast majority of our sales are recognized at a point-in-time under the core principle of recognizing revenue when control transfers to the customer. Revenues are derived from contracts with customers, which in most cases are customer purchase orders that may be governed by master sales agreements. For each contract, the promise to transfer the control of the products, each of which is individually distinct, is considered to be the identified performance obligation. As part of the consideration promised in each contract, the Company evaluates the customer's credit risk. Our contracts do not have any significant financing components, as payment terms are generally due net 30 to 120 days after delivery. Although products are almost always sold at fixed prices, in determining the transaction price, we evaluate whether the price is subject to refund (due to returns) or adjustment (due to volume discounts, rebates, or price concessions) to determine the net consideration we expect to be entitled to. We allocate the transaction price to each distinct product based on its relative standalone selling price. Taxes assessed by governmental authorities and collected from the customer, including but not limited to sales and use taxes and value-added taxes, are not included in the transaction price.

With limited exceptions, the Company recognizes revenue at the point in time when we ship or deliver the product from our manufacturing facility to our customer, when our customer accepts and has legal title of the goods, and the Company has a present right to payment for such goods. Based on the respective contract terms, most of our contracts' revenues are recognized either (i) upon shipment based on free on board ("FOB") shipping point, (ii) when the product arrives at its destination or (iii) when the product is pulled from consignment inventory. Less than 5% of our net sales are recognized over time, as the associated contracts relate to the sale of goods with no alternative use as they are only sold to a single customer and whose underlying contract terms provide the Company with an enforceable right to payment, including a reasonable profit margin, for performance completed to date, in the event of customer termination. For the contracts recognized over time, we typically record revenue using the input method, based on the materials and labor costs incurred to date relative to the contract's total estimated costs. This method reasonably depicts when and as control of the goods transfers to the customer, since it measures our progress in producing the goods, which is generally commensurate with this transfer of control. Since we typically invoice our customers at the same time that we satisfy our performance obligations, we do not have significant contract assets or contract liabilities related to our contracts with customers recorded in the Condensed Consolidated Balance Sheets.

The Company receives customer orders negotiated with multiple delivery dates that may extend across more than one reporting period until the contract is fulfilled, the end of the order period is reached, or a pre-determined maximum order value has been reached. Orders typically fluctuate from quarter to quarter based on customer demand and general business conditions, and it is generally expected that a substantial portion of our remaining performance obligations will be fulfilled within three months. Nearly all of our performance obligations are fulfilled within one year. Since our performance obligations are part of contracts that generally have original durations of one year or less, we have elected not to disclose the aggregate amount of transaction prices associated with unsatisfied or partially unsatisfied performance obligations as of September 30, 2018.

Sales to Distributors and Resellers

Sales to certain distributors and resellers are made under terms allowing certain price adjustments and limited rights of return of the Company's products held in their inventory or upon sale to their end customers. The Company maintains a reserve for unprocessed and estimated future price adjustment claims and returns as a refund liability. The

Table of Contents

reserve is recorded as a reduction to revenue in the same period that the related revenue is recorded and is calculated based on an analysis of historical claims and returns over a period of time to appropriately account for current pricing and business trends. Similarly, sales returns and allowances are recorded based on historical return rates, as a reduction to revenue with a corresponding reduction to cost of sales for the estimated cost of inventory that is expected to be returned. These reserves were not significant upon the adoption of Topic 606 nor were they significant in the Condensed Consolidated Balance Sheet as of September 30, 2018.

Warranty

Standard product warranty coverage which provides assurance that our products will conform to the contractually agreed-upon specifications for a limited period from the date of shipment is typically offered, while extended or separately-priced warranty coverage is typically not offered. The warranty claim is generally limited to a credit equal to the purchase price or a promise to repair or replace the product for a specified period of time at no additional charge. We estimate our warranty liability based on historical experience, product history, and current trends, and record warranty expense in cost of sales in the Condensed Consolidated Statements of Income. Warranty liabilities and related warranty expense have not been and were not significant in the accompanying Condensed Consolidated Financial Statements as of and for the three and nine months ended September 30, 2018.

Shipping and Handling Costs

The Company accounts for shipping and handling activities related to contracts with customers as a cost to fulfill our promise to transfer control of the related product, including any such costs incurred after the customer has obtained control of the goods. Shipping and handling costs are generally charged to and paid by the majority of our customers as part of the contract. For a nominal portion of our customer contracts, primarily for certain customers in the broadband communications market (a market primarily in the Cable Products and Solutions segment), such costs are not separately charged to the customers. Shipping and handling costs are included in Cost of sales in the accompanying Condensed Consolidated Statements of Income.

Contract Assets and Contract Liabilities

The Company records contract assets or contract liabilities depending on the timing of revenue recognition, billings and cash collections on a contract-by-contract basis. Contract assets represent unbilled receivables, which generally arise when revenue recognized over time exceed amounts billed to customers. Contract liabilities represent billings or advanced consideration received from customers in excess of revenue recognized to date. As the Company's performance obligations are typically less than one year, these amounts are generally recorded as current in the accompanying Condensed Consolidated Balance Sheets within Other current assets or Other accrued expenses as of September 30, 2018. Contract assets and contract liabilities recorded in the Company's Condensed Consolidated

Balance Sheets were not significant both at the date of adoption and as of September 30, 2018.

Contract Costs

The Company’s policy is to capitalize any incremental costs incurred to obtain a customer contract, only to the extent that such costs are explicitly chargeable to the customer and the benefit associated with the costs is expected to be longer than one year. Otherwise, such costs are expensed as incurred and recorded within Selling, general and administrative expenses in the accompanying Condensed Consolidated Statements of Income. Incremental costs to fulfill customer orders, which are mostly comprised of pre-production and set-up costs, are generally capitalized to the extent such costs are contractually guaranteed to be reimbursed by the customer. Otherwise, such costs are expensed as incurred. Capitalized contract costs to obtain a contract or to fulfill a contract that are not accounted for under other existing accounting standards are recorded as either other current or long-term assets on the accompanying Condensed Consolidated Balance Sheets, depending on the timing of when the Company expects to recognize the expense, and are generally amortized consistent with the timing of when transfer of control of the related goods occurs. Such capitalized contract costs were not significant both at the date of adoption and as of September 30, 2018, and the related amortization expense was not significant for the three and nine months ended September 30, 2018.

Table of Contents

Disaggregation of Net Sales

The following tables show our net sales disaggregated into categories the Company considers meaningful to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors for the three and nine months ended September 30, 2018:

	Three months ended September 30, 2018		
	Interconnect Products and Assemblies	Cable Products and Solutions	Total Reportable Business Segments
Net sales by:			
Sales channel:			
End customers and contract manufacturers	$ 1,725.9	$ 89.0	$ 1,814.9
Distributors and resellers	293.4	20.7	314.1
	$ 2,019.3	$ 109.7	$ 2,129.0
Geography:			
United States	$ 517.9	$ 54.1	$ 572.0
China	696.9	1.4	698.3
Other foreign locations	804.5	54.2	858.7
	$ 2,019.3	$ 109.7	$ 2,129.0

	Nine months ended September 30, 2018		
	Interconnect Products and Assemblies	Cable Products and Solutions	Total Reportable Business Segments
Net sales by:			
Sales channel:			
End customers and contract manufacturers	$ 4,828.9	$ 242.8	$ 5,071.7
Distributors and resellers	830.6	75.0	905.6
	$ 5,659.5	$ 317.8	$ 5,977.3
Geography:			
United States	$ 1,519.5	$ 155.8	$ 1,675.3
China	1,760.0	3.3	1,763.3
Other foreign locations	2,380.0	158.7	2,538.7

$ 5,659.5	$ 317.8	$ 5,977.3

Net sales by geographic area are based on the customer location to which the product is shipped.

Note 4—Inventories

Inventories consist of:

	September 30, 2018	December 31, 2017
Raw materials and supplies	$ 437.2	$ 386.2
Work in process	377.7	358.0
Finished goods	430.6	362.7
	$ 1,245.5	$ 1,106.9

Note 5—Reportable Business Segments

The Company has two reportable business segments: (i) Interconnect Products and Assemblies and (ii) Cable Products and Solutions. The Company organizes its reportable business segments based upon similar economic characteristics and business groupings of products, services and customers. These reportable business segments are determined based upon how the Company reviews its businesses, assesses operating performance and makes investing and resource allocation decisions. The Interconnect Product and Assemblies segment primarily designs, manufactures

Table of Contents

and markets a broad range of connector and connector systems, value-add products and other products, including antennas and sensors, used in a broad range of applications in a diverse set of end markets. The Cable Products and Solutions segment primarily designs, manufactures and markets cable, value-add products and components for use primarily in the broadband communications and information technology markets as well as certain applications in other markets. The accounting policies of the segments are the same as those for the Company as a whole and are described herein and in Note 1 of the notes to the consolidated financial statements in the Company's 2017 Annual Report. The Company evaluates the performance of business units on, among other things, profit or loss from operations before interest, headquarters' expense allocations, stock-based compensation expense, income taxes, amortization related to certain intangible assets and nonrecurring gains and losses.

The segment results for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Interconnect Products and Assemblies		Cable Products and Solutions		Total Reportable Business Segments	
Three Months Ended September 30:	2018	2017	2018	2017	2018	2017
Net sales:						
External	$ 2,019.3	$ 1,731.5	$ 109.7	$ 109.3	$ 2,129.0	$ 1,840.8
Intersegment	3.8	2.7	8.1	10.9	11.9	13.6
Segment operating income	458.1	388.3	14.4	14.3	472.5	402.6
Nine Months Ended September 30:						
Net sales:						
External	$ 5,659.5	$ 4,754.3	$ 317.8	$ 313.1	$ 5,977.3	$ 5,067.4
Intersegment	9.6	6.9	25.1	31.5	34.7	38.4
Segment operating income	1,268.9	1,060.8	40.4	44.0	1,309.3	1,104.8

A reconciliation of segment operating income to consolidated income before income taxes for the three and nine months ended September 30, 2018 and 2017 is summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Segment operating income	$ 472.5	$ 402.6	$ 1,309.3	$ 1,104.8
Interest expense	(24.8)	(24.6)	(75.3)	(67.3)
Other income, net	0.2	5.1	2.5	12.9
Stock-based compensation expense	(14.4)	(12.6)	(40.4)	(37.1)
Acquisition-related expenses	—	—	—	(4.0)
Other operating expenses	(13.9)	(12.1)	(39.6)	(35.5)

Income before income taxes	$ 419.6	$ 358.4	$ 1,156.5	$ 973.8

Note 6—Shareholders' Equity and Noncontrolling Interests

Net income attributable to noncontrolling interests is classified below net income. Earnings per share is determined after the impact of the noncontrolling interests' share in net income of the Company. In addition, the equity attributable to noncontrolling interests is presented as a separate caption within equity.

Table of Contents

A rollforward of consolidated changes in equity for the nine months ended September 30, 2018 is as follows:

	Amphenol Corporation Shareholders							
	Common Stock Shares (in millions)	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
Balance as of December 31, 2017	305.7	$ 0.3	$ 1,249.0	$ 2,941.5	$ (201.0)	$ —	$ 53.6	$ 4,043.4
Cumulative effect of adoption of revenue recognition standard (Note 2)				3.2				3.2
Net income				866.9			8.8	875.7
Other comprehensive loss					(136.3)		(2.7)	(139.0)
Acquisitions resulting in noncontrolling interest							0.3	0.3
Purchase of noncontrolling interest			(2.3)				(5.4)	(7.7)
Distributions to shareholders of noncontrolling interests							(10.2)	(10.2)
Purchase of treasury stock						(680.2)		(680.2)
Retirement of treasury stock	(7.7)			(680.2)		680.2		—
Stock options exercised	3.3		123.0					123.0
Dividends declared				(195.6)				(195.6)
Stock-based compensation expense			40.4					40.4
Balance as of September 30, 2018	301.3	$ 0.3	$ 1,410.1	$ 2,935.8	$ (337.3)	$ —	$ 44.4	$ 4,053.3

A rollforward of consolidated changes in equity for the nine months ended September 30, 2017 is as follows:

	Amphenol Corporation Shareholders							
	Common Stock Shares (in millions)	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
Balance as of December 31, 2016	308.3	$ 0.3	$ 1,020.9	$ 3,122.7	$ (469.0)	$ —	$ 48.2	$ 3,723.1
Net income				753.9			7.2	761.1
Other comprehensive income					182.8		2.1	184.9
Acquisitions resulting in noncontrolling interest							1.2	1.2
Purchase of noncontrolling interest			(5.5)				(9.5)	(15.0)
Distributions to shareholders of noncontrolling interests							(7.1)	(7.1)
Purchase of treasury stock						(555.6)		(555.6)
Retirement of treasury stock	(7.7)			(555.6)		555.6		—
Stock options exercised	4.4		135.3					135.3
Dividends declared				(155.7)				(155.7)
Stock-based compensation expense			37.1					37.1
Balance as of September 30, 2017	305.0	$ 0.3	$ 1,187.8	$ 3,165.3	$ (286.2)	$ —	$ 42.1	$ 4,109.3

On January 24, 2017, the Company's Board of Directors authorized a stock repurchase program under which the Company could purchase up to $1,000.0 of the Company's Common Stock during the two-year period ending January 24, 2019 in accordance with the requirements of Rule 10b-18 of the Exchange Act (the "2017 Stock Repurchase Program"). During the three months ended March 31, 2018, the Company repurchased 4.2 million shares of its common stock for $382.0 under the 2017 Stock Repurchase Program, bringing total repurchases under this program to approximately 12.6 million shares or $1,000.0, thus completing the 2017 Stock Repurchase Program.

On April 24, 2018, the Company's Board of Directors authorized a new stock repurchase program under which the Company may purchase up to $2,000.0 of the Company's Common Stock during the three-year period ending April 24, 2021 in accordance with the requirements of Rule 10b-18 of the Exchange Act (the "2018 Stock Repurchase Program"). During the three and nine months ended September 30, 2018, the Company repurchased 0.4 million and 3.5 million shares of its common stock for $34.8 and $298.2, respectively, under the 2018 Stock Repurchase Program. These treasury shares have been retired by the Company, accordingly common stock and retained earnings were reduced. The Company has not repurchased any additional shares of its common stock through October 24, 2018, and has remaining authorization to purchase up to approximately $1,701.8 of its common stock under the 2018 Stock Repurchase Program. The price and timing of any future purchases under the 2018 Stock Repurchase Program will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, dividends, economic and market conditions and stock price.

Table of Contents

Contingent upon declaration by the Board of Directors, the Company generally pays a quarterly dividend on shares of its Common Stock. The following table summarizes the declared quarterly dividends per share as well as the dividends declared and paid for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Dividends declared per share	$ 0.23	$ 0.19	$ 0.65	$ 0.51
Dividends declared	$ 69.3	$ 57.9	$ 195.6	$ 155.7
Dividends paid (including those declared in the prior year)	69.0	48.8	184.4	147.1

On April 24, 2018, the Company's Board of Directors approved an increase to its quarterly dividend rate from $0.19 to $0.23 per share effective with dividends declared in the second quarter of 2018.

Note 7—Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income attributable to Amphenol Corporation by the weighted average number of common shares outstanding. Diluted EPS is computed by dividing net income attributable to Amphenol Corporation by the weighted average number of common shares and dilutive common shares outstanding, which relates to stock options. A reconciliation of the basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the three and nine months ended September 30, 2018 and 2017 is as follows:

(dollars and shares in millions, except per share data)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Net income attributable to Amphenol Corporation shareholders	$ 316.6	$ 277.5	$ 866.9	$ 753.9
Basic weighted average common shares outstanding	300.5	305.0	301.7	305.8
Effect of dilutive stock options	11.9	10.7	11.9	10.3
Diluted weighted average common shares outstanding	312.4	315.7	313.6	316.1
Earnings per share attributable to Amphenol Corporation shareholders:				
Basic	$ 1.05	$ 0.91	$ 2.87	$ 2.47
Diluted	$ 1.01	$ 0.88	$ 2.76	$ 2.39

Excluded from the computations above were anti-dilutive common shares of 6.1 million and 5.3 million for the three months ended September 30, 2018 and 2017, respectively, and 2.5 million and 2.1 million for the nine months ended September 30, 2018 and 2017, respectively.

Note 8—Commitments and Contingencies

The Company has been named as a defendant in several legal actions arising from normal business activities. The Company records a loss contingency liability when a loss is considered probable and the amount can be reasonably estimated. Although the potential liability with respect to certain of such legal actions cannot be reasonably estimated, none of such matters is expected to have a material adverse effect on the Company’s financial condition, results of operations or cash flows. The Company’s legal costs associated with defending itself are recorded to expense as incurred.

The Company has also received a subpoena from the Department of Defense, Office of the Inspector General, requesting documents pertaining to certain products manufactured by the Company’s Military and Aerospace Group that are purchased or used by the U.S. government. The Company is cooperating with the request. The inquiry is in the early stages and the Company is unable to estimate the timing or outcome of the matter.

Table of Contents

Certain operations of the Company are subject to environmental laws and regulations which govern the discharge of pollutants into the air and water, as well as the handling and disposal of solid and hazardous wastes. The Company believes that its operations are currently in substantial compliance with applicable environmental laws and regulations and that the costs of continuing compliance will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Note 9—Stock-Based Compensation

For the three months ended September 30, 2018 and 2017, the Company's income before income taxes was reduced for stock-based compensation expense of $14.4 and $12.6, respectively. In addition, for the three months ended September 30, 2018 and 2017, the Company recognized aggregate income tax benefits associated with stock-based compensation of $8.9 and $19.5, respectively, in the provision for income taxes in the accompanying Condensed Consolidated Statements of Income, which include the excess tax benefits from option exercises of $7.0 and $16.6, respectively. For the nine months ended September 30, 2018 and 2017, the Company's income before income taxes was reduced for stock-based compensation expense of $40.4 and $37.1, respectively. In addition, for the nine months ended September 30, 2018 and 2017, the Company recognized aggregate income tax benefits associated with stock-based compensation of $19.7 and $54.7, respectively, which include the excess tax benefits from option exercises of $14.1 and $45.8, respectively. The impact associated with recognizing excess tax benefits from option exercises in the provision for income taxes on our consolidated financial statements could result in significant fluctuations in our effective tax rate in the future, since the provision for income taxes will be impacted by the timing and intrinsic value of future stock-based compensation award exercises.

Stock-based compensation expense includes the estimated effects of forfeitures, which are adjusted over the requisite service period to the extent actual forfeitures differ or are expected to differ from such estimates. Changes in estimated forfeitures are recognized in the period of change and impact the amount of expense to be recognized in future periods. The expense incurred for stock-based compensation plans is included in Selling, general and administrative expenses in the accompanying Condensed Consolidated Statements of Income.

Stock Options

In May 2017, the Company adopted the 2017 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (the "2017 Employee Option Plan"). A committee of the Company's Board of Directors has been authorized to grant stock options pursuant to the 2017 Employee Option Plan. The number of shares of the Company's Class A Common Stock ("Common Stock") reserved for issuance under the 2017 Employee Option Plan is 30,000,000 shares. As of September 30, 2018, there were 17,002,620 shares of Common Stock available for the granting of additional stock options under the 2017 Employee Option Plan. The Company also continues to maintain the 2009 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries, as amended (the "2009 Employee Option Plan"). No additional stock options will be granted under the 2009 Employee Option Plan. The 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries, as amended, expired in May 2011 and all options granted thereunder have been either exercised or forfeited. Options granted under the 2017 Employee Option Plan and the 2009 Employee Option Plan generally vest ratably over a period of five years from the date of grant and are generally exercisable over a period of ten years from the date of grant.

In 2004, the Company adopted the 2004 Stock Option Plan for Directors of Amphenol Corporation (the “2004 Directors Option Plan”). The 2004 Directors Option Plan is administered by the Company’s Board of Directors. The 2004 Directors Option Plan expired in May 2014, except that its terms continue with respect to outstanding options granted thereunder. Options were last granted under the 2004 Directors Option Plan in May 2011. Options granted under the 2004 Directors Option Plan are fully vested and are generally exercisable over a period of ten years from the date of grant.

Table of Contents

Stock option activity for the three and nine months ended September 30, 2018 was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Options outstanding at January 1, 2018	33,222,364	$ 52.27	7.05	$ 1,180.3
Options granted	—			
Options exercised	(602,549)			
Options forfeited	(32,240)			
Options outstanding at March 31, 2018	32,587,575	52.58	6.84	1,093.2
Options granted	6,111,100			
Options exercised	(740,046)			
Options forfeited	(116,740)			
Options outstanding at June 30, 2018	37,841,889	58.50	7.15	1,089.4
Options granted	91,000			
Options exercised	(1,952,700)			
Options forfeited	(226,020)			
Options outstanding at September 30, 2018	35,754,169	$ 59.68	7.05	$ 1,227.9
Vested and non-vested options expected to vest at September 30, 2018	33,489,508	$ 58.93	6.97	$ 1,175.0
Exercisable options at September 30, 2018	16,426,149	$ 46.22	5.55	$ 785.2

A summary of the status of the Company’s non-vested options as of September 30, 2018 and changes during the three and nine months then ended is as follows:

	Options	Weighted Average Fair Value at Grant Date
Non-vested options at January 1, 2018	19,600,440	$ 8.29
Options granted	—	—
Options vested	(67,400)	8.13
Options forfeited	(32,240)	8.56
Non-vested options at March 31, 2018	19,500,800	8.29

Options granted	6,111,100	12.82
Options vested	(5,923,180)	8.35
Options forfeited	(116,740)	8.18
Non-vested options at June 30, 2018	19,571,980	9.69
Options granted	91,000	12.82
Options vested	(108,940)	8.40
Options forfeited	(226,020)	9.48
Non-vested options at September 30, 2018	19,328,020	$ 9.71

During the three and nine months ended September 30, 2018 and 2017, the following activity occurred under the Company's option plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Total intrinsic value of stock options exercised	$ 111.8	$ 77.0	$ 181.1	$ 191.1
Total fair value of stock options vested	0.9	0.7	50.9	46.2

As of September 30, 2018, the total compensation cost related to non-vested options not yet recognized was approximately $152.8 with a weighted average expected amortization period of 3.57 years.

16

Table of Contents

The grant-date fair value of each option grant under the 2009 Employee Option Plan, the 2017 Employee Option Plan and the 2004 Directors Option Plan is estimated using the Black-Scholes option pricing model. The grant-date fair value of each share grant is determined based on the closing share price of the Company's Common Stock on the date of the grant. The fair value is then amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Use of a valuation model for option grants requires management to make certain assumptions with respect to selected model inputs. Expected share price volatility is calculated based on the historical volatility of the Common Stock and implied volatility derived from related exchange traded options. The average expected life is based on the contractual term of the option and expected exercise and historical post-vesting termination experience. The risk-free interest rate is based on U.S. Treasury zero-coupon issuances with a remaining term equal to the expected life assumed at the date of grant. The expected annual dividend per share is based on the Company's dividend rate.

Restricted Shares

In 2012, the Company adopted the 2012 Restricted Stock Plan for Directors of Amphenol Corporation (the "2012 Directors Restricted Stock Plan"). The 2012 Directors Restricted Stock Plan is administered by the Company's Board of Directors. As of September 30, 2018, the number of restricted shares available for grant under the 2012 Directors Restricted Stock Plan was 109,695. Restricted shares granted under the 2012 Directors Restricted Stock Plan generally vest on the first anniversary of the grant date. Grants under the 2012 Directors Restricted Stock Plan entitle the holder to receive shares of the Company's Common Stock without payment.

Restricted share activity for the three and nine months ended September 30, 2018 was as follows:

	Restricted Shares	Fair Value at Grant Date	Weighted Average Remaining Amortization Term (in years)
Restricted shares outstanding at January 1, 2018	12,905	$ 73.25	0.37
Restricted shares granted	—	—	
Restricted shares outstanding at March 31, 2018	12,905	73.25	0.13
Shares vested and issued	(13,046)	73.35	
Restricted shares granted	14,469	87.93	
Restricted shares outstanding at June 30, 2018	14,328	87.98	0.88
Restricted shares granted	—	—	
Restricted shares outstanding at September 30, 2018	14,328	$ 87.98	0.63

As of September 30, 2018, the total compensation cost related to non-vested restricted shares not yet recognized was approximately $0.8 with a weighted average expected amortization period of 0.63 years.

Note 10—Benefit Plans and Other Postretirement Benefits

The Company and certain of its domestic subsidiaries have defined benefit pension plans (the “U.S. Plans”), which cover certain U.S. employees and which represent the majority of the plan assets and benefit obligations of the aggregate defined benefit plans of the Company. The U.S. Plans’ benefits are generally based on years of service and compensation and are generally noncontributory. Certain U.S. employees not covered by the U.S. Plans are covered by defined contribution plans. Certain foreign subsidiaries have defined benefit plans covering their employees (the “International Plans” and, together with the U.S. Plans, the “Plans”). The following is a summary, based on the most

Table of Contents

recent actuarial valuations of the Company's net cost for pension benefits, of the Plans and other postretirement benefits for the three and nine months ended September 30, 2018 and 2017:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended September 30:	2018	2017	2018	2017
Service cost	$ 1.8	$ 2.5	$ —	$ —
Interest cost	4.9	5.0	0.1	0.1
Expected return on plan assets	(9.6)	(7.8)	—	—
Amortization of prior service cost	0.6	0.7	—	—
Amortization of net actuarial losses	5.8	5.8	0.1	0.2
Net pension expense	$ 3.5	$ 6.2	$ 0.2	$ 0.3
Nine Months Ended September 30:				
Service cost	$ 5.6	$ 7.3	$ —	$ —
Interest cost	14.7	14.9	0.3	0.3
Expected return on plan assets	(28.9)	(23.2)	—	—
Amortization of prior service cost	1.8	2.1	—	—
Amortization of net actuarial losses	17.5	17.2	0.3	0.5
Net pension expense	$ 10.7	$ 18.3	$ 0.6	$ 0.8

As a result of the adoption of ASU 2017 07, the Company records service costs in the same line item as the respective employee compensation costs and within operating income, while all other pension-related costs including interest cost, expected return on plan assets, amortization of prior service cost and amortization of net actuarial losses are reported separately within Other income, net in the Condensed Consolidated Statements of Income.

In January 2018, the Company made a voluntary cash contribution of approximately $81.0 to fully fund the U.S. Plans, and estimates that, based on current actuarial calculations, cash contributions to the Plans will aggregate approximately $90.0 in 2018. The timing and amount of cash contributions in subsequent years will depend on a number of factors, including the investment performance of the Plans' assets. This voluntary cash contribution made in the first quarter of 2018 is reflected as cash used in operating activities within Net change in accrued pension and postretirement benefits in the Condensed Consolidated Statements of Cash Flow.

The Company offers various defined contribution plans for certain U.S. and foreign employees. Participation in these plans is based on certain eligibility requirements. The Company matches the majority of employee contributions to the U.S. defined contribution plans with cash contributions up to a maximum of 5% of eligible compensation. During the nine months ended September 30, 2018 and 2017, the Company provided matching contributions to the U.S. defined contribution plans of approximately $6.2 and $5.0, respectively.

Note 11—Acquisitions

In the past twelve months, the Company has completed several acquisitions, including three acquisitions which closed in the first nine months of 2018, all in the Interconnect Products and Assemblies segment. The Company is in the process of completing its analyses of the fair value of the assets acquired and liabilities assumed. The Company anticipates that the final assessments of values will not differ materially from the preliminary assessments. These acquisitions were not material to the Company either individually or in the aggregate.

During the nine months ended September 30, 2017, the Company incurred approximately $4.0 ($3.7 after-tax) of acquisition-related expenses related to external transaction costs. Such acquisition-related expenses are separately presented in the accompanying Condensed Consolidated Statements of Income.

Table of Contents

Note 12—Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows:

	Interconnect Products and Assemblies	Cable Products and Solutions	Total
Goodwill at December 31, 2017	$ 3,896.1	$ 146.5	$ 4,042.6
Acquisition-related	126.5	—	126.5
Foreign currency translation	(55.4)	—	(55.4)
Goodwill at September 30, 2018	$ 3,967.2	$ 146.5	$ 4,113.7

The Company performs its annual evaluation for the impairment of goodwill for the Company's reporting units as of each July 1 or more frequently if an event occurs or circumstances change that would indicate that a reporting unit's carrying amount may be impaired. The Company has defined its reporting units as the two reportable business segments "Interconnect Products and Assemblies" and "Cable Products and Solutions", as the components of these reportable business segments have similar economic characteristics. In 2018, as part of our annual evaluation, the Company utilized the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment assessment. As part of this assessment, the Company reviews qualitative factors which include, but are not limited to, economic, market and industry conditions, as well as the financial performance of each reporting unit. In accordance with applicable guidance, an entity is not required to calculate the fair value of a reporting unit if, after assessing these qualitative factors, the Company determines that it is more likely than not that its reporting unit's fair value is greater than its carrying amount. During the third quarter, the Company determined that it was more likely than not that the fair value of its reporting units exceeded their respective carrying amounts and therefore, a quantitative assessment was not required. There has been no goodwill impairment in 2018, 2017 or 2016 in connection with our impairment tests.

Other than goodwill noted above, the Company's intangible assets as of September 30, 2018 and December 31, 2017 were as follows:

		September 30, 2018			December 31, 2017		
	Weighted Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	10	$ 400.2	$ 226.2	$ 174.0	$ 398.1	$ 199.8	$ 198.3
Proprietary technology	11	107.5	58.1	49.4	107.5	50.7	56.8
Backlog and other	2	34.0	33.7	0.3	34.0	33.6	0.4

Total intangible assets (definite-lived)	10	541.7	318.0	223.7	539.6	284.1	255.5
Trade names (indefinite-lived)		186.1	—	186.1	186.1	—	186.1
		$ 727.8	$ 318.0	$ 409.8	$ 725.7	$ 284.1	$ 441.6

Intangible assets are included in Intangibles, net and other long-term assets in the accompanying Condensed Consolidated Balance Sheets. The amortization expense for the three months ended September 30, 2018 and 2017 was approximately $11.6 and $12.3, respectively. The amortization expense for the nine months ended September 30, 2018 and 2017 was approximately $35.4 and $36.4, respectively. As of September 30, 2018, amortization expense relating to the Company's current intangible assets estimated for the remainder of 2018 is approximately $11.5 and for each of the next five fiscal years is approximately $42.7 in 2019, $37.1 in 2020, $32.4 in 2021, $24.9 in 2022 and $22.2 in 2023.

The Company reviews its identifiable intangible assets subject to amortization whenever events or changes in circumstances indicate the carrying amount may not be recoverable, while any indefinite-lived intangible assets that are not subject to amortization are reviewed at least annually for impairment. In the third quarter of 2018, the Company performed its annual assessment of these identifiable indefinite-lived intangible assets. Based on our qualitative assessment, the Company determined that it was more likely than not that the fair value of the indefinite-lived intangible assets exceeded their respective carrying amounts. There has been no impairment in 2018, 2017 or 2016 as a result of such reviews.

Table of Contents

Note 13—Debt

The Company’s debt (net of any unamortized discount) consists of the following:

	September 30, 2018		December 31, 2017	
	Carrying Amount	Approximate Fair Value	Carrying Amount	Approximate Fair Value
Revolving Credit Facility	$ —	$ —	$ —	$ —
U.S. Commercial Paper Program	337.9	337.9	1,175.4	1,175.4
Euro Commercial Paper Program	512.9	512.9	—	—
2.55% Senior Notes due January 2019	749.9	749.5	749.8	752.8
2.20% Senior Notes due April 2020	399.8	393.6	399.8	398.0
3.125% Senior Notes due September 2021	374.9	371.4	374.8	381.2
4.00% Senior Notes due February 2022	499.6	506.9	499.5	522.5
3.20% Senior Notes due April 2024				