

PREFORMED LINE PRODUCTS CO

Form 10-Q

August 04, 2017

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 June 30, 2017

Commission file number: 0-31164

Preformed Line Products Company

(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-0676895
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)

660 Beta Drive

Mayfield Village, Ohio	44143
(Address of Principal Executive Office)	(Zip Code)

(440) 461-5200

(Registrant's telephone number, including area code)

Edgar Filing: PREFORMED LINE PRODUCTS CO - Form 10-Q

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, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

Yes No

The number of common shares outstanding as of August 1, 2017: 5,115,981.

Table of Contents

	Page
<u>Part I - Financial Information</u>	
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	29
<u>Part II - Other Information</u>	
Item 1. <u>Legal Proceedings</u>	30
Item 1A. <u>Risk Factors</u>	30
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 3. <u>Defaults Upon Senior Securities</u>	30
Item 4. <u>Mine Safety Disclosures</u>	30
Item 5. <u>Other Information</u>	31
Item 6. <u>Exhibits</u>	31
<u>SIGNATURES</u>	32

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## PREFORMED LINE PRODUCTS COMPANY

## CONSOLIDATED BALANCE SHEETS

	June 30, 2017 (Unaudited)	December 31, 2016
(Thousands of dollars, except share and per share data)		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,002	\$ 30,737
Accounts receivable, less allowances of \$3,221 (\$3,210 in 2016)	79,686	63,415
Inventories - net	75,498	74,484
Prepays	4,040	3,353
Prepaid taxes	5,945	8,682
Other current assets	2,345	8,436
<b>TOTAL CURRENT ASSETS</b>	<b>195,516</b>	<b>189,107</b>
Property, plant and equipment - net	107,234	105,104
Intangibles - net	10,468	10,475
Goodwill	16,478	15,769
Deferred income taxes	10,897	10,208
Other assets	10,978	10,274
<b>TOTAL ASSETS</b>	<b>\$ 351,571</b>	<b>\$ 340,937</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Trade accounts payable	\$ 24,145	\$ 21,978
Notes payable to banks	1,379	1,315
Current portion of long-term debt	1,448	1,448
Accrued compensation and amounts withheld from employees	12,355	10,040
Accrued expenses and other liabilities	13,660	12,331
Accrued profit-sharing and other benefits	4,000	6,251
Dividends payable	1,055	1,037
Income taxes payable	1,038	1,055
<b>TOTAL CURRENT LIABILITIES</b>	<b>59,080</b>	<b>55,455</b>
Long-term debt, less current portion	36,570	42,943
Unfunded pension obligation	10,298	10,423
Deferred income taxes	2,201	2,078
Other noncurrent liabilities	6,825	6,495
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' equity:		
Common shares - \$2 par value per share, 15,000,000 shares authorized, 5,115,981 and 5,117,753 issued and outstanding, at June 30, 2017 and December 31, 2016,	12,514	12,508

respectively		
Common shares issued to rabbi trust, 297,840 and 297,281 shares at June 30, 2017		
and December 31, 2016, respectively	(12,089 )	(12,054 )
Deferred compensation liability	12,089	12,054
Paid-in capital	25,916	24,629
Retained earnings	306,979	303,415
Treasury shares, at cost, 1,140,816 and 1,136,443 shares at June 30, 2017 and		
December 31, 2016, respectively	(59,880 )	(59,640 )
Accumulated other comprehensive loss	(48,932 )	(57,369 )
TOTAL SHAREHOLDERS' EQUITY	236,597	223,543
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 351,571	\$ 340,937

See notes to consolidated financial statements (unaudited).

## PREFORMED LINE PRODUCTS COMPANY

## STATEMENTS OF CONSOLIDATED INCOME

(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
(Thousands of dollars, except per share data)				
Net sales	\$97,512	\$83,220	\$182,081	\$161,903
Cost of products sold	67,839	56,414	127,743	110,807
<b>GROSS PROFIT</b>	<b>29,673</b>	<b>26,806</b>	<b>54,338</b>	<b>51,096</b>
Costs and expenses				
Selling	8,626	8,183	16,910	15,814
General and administrative	10,772	10,962	21,101	21,049
Research and engineering	3,612	3,609	7,301	7,347
Other operating (income) expense - net	369	(27 )	474	(880 )
	23,379	22,727	45,786	43,330
<b>OPERATING INCOME</b>	<b>6,294</b>	<b>4,079</b>	<b>8,552</b>	<b>7,766</b>
Other income (expense)				
Interest income	160	68	264	143
Interest expense	(277 )	(166 )	(577 )	(324 )
Other income - net	81	(208 )	137	(156 )
	(36 )	(306 )	(176 )	(337 )
<b>INCOME BEFORE INCOME TAXES</b>	<b>6,258</b>	<b>3,773</b>	<b>8,376</b>	<b>7,429</b>
Income taxes	2,102	1,018	2,702	2,016
<b>NET INCOME</b>	<b>\$4,156</b>	<b>\$2,755</b>	<b>\$5,674</b>	<b>\$5,413</b>
<b>BASIC EARNINGS PER SHARE</b>				
Net income	\$0.81	\$0.53	\$1.11	\$1.04
<b>DILUTED EARNINGS PER SHARE</b>				
Net income	\$0.81	\$0.53	\$1.11	\$1.04
Cash dividends declared per share	\$0.20	\$0.20	\$0.40	\$0.40
Weighted-average number of shares outstanding - basic	5,116	5,186	5,117	5,198
Weighted-average number of shares outstanding - diluted	5,127	5,208	5,132	5,218

See notes to consolidated financial statements (unaudited).

## PREFORMED LINE PRODUCTS COMPANY

## STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
(Thousands of dollars)				
Net income	\$4,156	\$2,755	\$5,674	\$5,413
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	2,810	(1,855)	8,282	2,012
Recognized net actuarial gain (net of tax provision of \$49 and \$46 for the three months ended June 30, 2017 and 2016, respectively, and net of tax provision of \$93 and \$92 for the six months ended June 30, 2017 and 2016, respectively.)	83	76	155	153
Other comprehensive income (loss), net of tax	2,893	(1,779)	8,437	2,165
Comprehensive income	\$7,049	\$976	\$14,111	\$7,578

See notes to consolidated financial statements (unaudited).

## PREFORMED LINE PRODUCTS COMPANY

## STATEMENTS OF CONSOLIDATED CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30	
	2017	2016
(Thousands of dollars)		
<b>OPERATING ACTIVITIES</b>		
Net income	\$5,674	\$5,413
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	5,873	5,602
Provision for accounts receivable allowances	777	132
Provision for inventory reserves	722	864
Deferred income taxes	(790 )	(815 )
Share-based compensation expense	1,140	506
Gain on sale of property and equipment	(13 )	(11 )
Other - net	276	415
Changes in operating assets and liabilities		
Accounts receivable	(15,284)	116
Inventories	539	(1,585 )
Trade accounts payable and accrued liabilities	2,035	887
Income taxes - net	2,714	(1,695 )
Other - net	(1,644 )	207
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,019</b>	<b>10,036</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures		