

Altra Industrial Motion Corp.  
Form 10-Q  
October 25, 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 September 30, 2017

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: 001-33209

ALTRA INDUSTRIAL MOTION CORP.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	61-1478870 (I.R.S. Employer Identification No.)
300 Granite Street, Suite 201, Braintree, MA (Address of principal executive offices)	02184 (Zip Code)

(781) 917-0600

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(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 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, 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

As of October 20, 2017, 29,275,362 shares of Common Stock, \$0.001 par value per share, were outstanding.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited)

## ALTRA INDUSTRIAL MOTION CORP.

## Condensed Consolidated Balance Sheets

Amounts in thousands, except share amounts

	September 30, 2017 (Unaudited)	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 53,151	\$ 69,118
Trade receivables, less allowance for doubtful accounts of \$5,479 and \$3,114 at September 30, 2017 and December 31, 2016, respectively	136,511	120,319
Inventories	153,014	139,840
Income tax receivable	7,822	607
Prepaid expenses and other current assets	16,671	10,429
Assets held for sale	364	3,874
Total current assets	367,533	344,187
Property, plant and equipment, net	190,455	177,043
Intangible assets, net	160,939	154,683
Goodwill	203,574	188,841
Deferred income taxes	1,383	2,510
Other non-current assets, net	2,147	2,560
Total assets	\$ 926,031	\$ 869,824
<b>LIABILITIES, AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 59,624	\$ 60,845
Accrued payroll	29,761	31,302
Accruals and other current liabilities	38,137	35,080
Income tax payable	8,887	706
Current portion of long-term debt	380	43,690
Total current liabilities	136,789	171,623
Long-term debt - less current portion and net of unaccreted discount	295,223	325,969
Deferred income taxes	57,471	61,084
Pension liabilities	27,269	23,691
Other long-term liabilities	25,714	4,109
Stockholders' equity:		
Common stock (\$0.001 par value, 90,000,000 shares authorized, 29,054,378 and 27,206,162 issued and outstanding at September 30, 2017 and December 31, 2016, respectively)	29	27
Additional paid-in capital	222,605	168,299

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Retained earnings	215,766	191,108
Accumulated other comprehensive loss	(54,835 )	(76,086 )
Total stockholders' equity	383,565	283,348
Total liabilities, and stockholders' equity	\$ 926,031	\$ 869,824

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

## ALTRA INDUSTRIAL MOTION CORP.

## Condensed Consolidated Statements of Operations

Amounts in thousands, except per share data

	Quarter Ended		Year to Date Ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$214,623	\$ 173,132	\$653,415	\$ 536,259
Cost of sales	145,610	118,957	446,109	369,254
Gross profit	69,013	54,175	207,306	167,005
Operating expenses:				
Selling, general and administrative expenses	41,009	36,142	123,012	105,548
Research and development expenses	6,051	4,267	18,434	13,345
Restructuring costs	680	3,397	3,776	6,591
	47,740	43,806	145,222	125,484
Income from operations	21,273	10,369	62,084	41,521
Other non-operating income and expense:				
Interest expense, net	1,811	2,815	5,547	8,615
Other non-operating expense (income), net	696	45	30	(438)
Loss on extinguishment of convertible debt	—	—	1,797	—
	2,507	2,860	7,374	8,177
Income before income taxes	18,766	7,509	54,710	33,344
Provision for income taxes	5,489	2,196	15,723	9,872
Net income	\$13,277	\$ 5,313	\$38,987	\$ 23,472
Weighted average shares, basic	29,008	25,726	28,912	25,684
Weighted average shares, diluted	29,074	26,021	29,001	25,813
Net income per share:				
Basic net income	\$0.46	\$ 0.21	\$1.35	\$ 0.91
Diluted net income	\$0.46	\$ 0.20	\$1.34	\$ 0.91
Cash dividend declared	\$0.17	\$ 0.15	\$0.49	\$ 0.45

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

## ALTRA INDUSTRIAL MOTION CORP.

## Condensed Consolidated Statements of Comprehensive Income

Amounts in thousands

	Quarter Ended		Year to Date Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income	\$13,277	\$ 5,313	\$38,987	\$ 23,472
Other Comprehensive income (loss):				
Foreign currency translation adjustment	6,673	90	21,157	(1,000 )
Change in defined benefit pension plans	65	14	(232 )	134
Change in fair value of derivative financial instruments, net of tax	(331 )	—	326	—
Other comprehensive income (loss):	6,407	104	21,251	(866 )
Comprehensive income	\$19,684	\$ 5,417	\$60,238	\$ 22,606

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

## ALTRA INDUSTRIAL MOTION CORP.

## Condensed Consolidated Statements of Cash Flows

Amounts in thousands

	Year to Date Ended	
	September 30,	September 30,
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net income	\$38,987	\$ 23,472
Adjustments to reconcile net income to net operating cash flows:		
Depreciation	19,764	16,235
Amortization of intangible assets	7,139	6,384
Amortization of deferred financing costs	449	590
Loss/(Gain) on foreign currency, net	241	(130 )
Accretion of debt discount, net	—	2,970
(Gain)/Loss on disposal / impairment of fixed assets	(36 )	582
Loss on extinguishment of debt	1,797	—
Stock based compensation	4,543	3,370
Amortization of inventory fair value adjustment	2,347	—
Changes in assets and liabilities:		
Trade receivables	(9,701 )	(10,461 )
Inventories	(9,478 )	(837 )
Accounts payable and accrued liabilities	(8,799 )	3,226
Other current assets and liabilities	(2,392 )	728
Other operating assets and liabilities	(1,572 )	765
Net cash provided by operating activities	43,289	46,894
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,261)	(15,684 )
Proceeds from sale of Altra Industrial Motion Changzhou	3,221	—
Working capital settlement from prior year acquisitions	2,883	—
Net cash used in investing activities	(17,157)	(15,684 )
Cash flows from financing activities		
Payments on 2015 Revolving Credit Facility	(39,036)	(30,870 )
Dividend payments	(13,256)	(7,784 )
Borrowing under 2015 Revolving Credit Facility	7,000	3,000
Payments of equipment and working capital notes	(913 )	(3,181 )
Cash paid to redeem Convertible Notes	(954 )	—
Proceeds from mortgages and other debt	—	2,893
Shares surrendered for tax withholding	(2,089 )	(1,288 )
Purchases of common stock under share repurchase program	—	(4,713 )
Net cash used in financing activities	(49,248)	(41,943 )
Effect of exchange rate changes on cash and cash equivalents	7,149	178
Net change in cash and cash equivalents	(15,967)	(10,555 )
Cash and cash equivalents at beginning of year	69,118	50,320
Cash and cash equivalents at end of period	\$53,151	\$ 39,765
Cash paid during the period for:		



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Interest	\$5,413	\$ 5,856
Income taxes	18,505	7,665
Non-cash Financing and Investing		
Conversion of Convertible Notes to common stock	\$51,851	\$ —

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

ALTRA INDUSTRIAL MOTION CORP.

Consolidated Statements of Stockholders' Equity

Amounts in thousands

(Unaudited)

				Accumulated	
				Other	
		Additional	Retained	Comprehensive	
Common	Paid	Capital	Earnings	Income	Total
Stock	Shares	in Capital	(Loss)		