

AMPHENOL CORP /DE/  
Form 10-Q  
November 05, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended September 30, 2015**

**OR**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**Commission file number 1-10879**

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# AMPHENOL CORPORATION

**Delaware**  
(State of Incorporation)

**22-2785165**  
(IRS Employer  
Identification No.)

**358 Hall Avenue**

**Wallingford, Connecticut 06492**

**203-265-8900**

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 31, 2015, the total number of shares outstanding of Class A Common Stock was 308,261,251.

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**on Form 10-Q**

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****AMPHENOL CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(dollars in millions)**

	September 30, 2015	December 31, 2014
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,575.6	\$ 968.9
Short-term investments	22.1	360.7
Total cash, cash equivalents and short-term investments	1,597.7	1,329.6
Accounts receivable, less allowance for doubtful accounts of \$23.9 and \$20.2, respectively	1,163.3	1,123.7
Inventories	887.7	865.6
Other current assets	213.6	185.2
Total current assets	3,862.3	3,504.1
Land and depreciable assets, less accumulated depreciation of \$887.8 and \$849.6, respectively	611.7	590.7
Goodwill	2,706.3	2,616.7
Intangibles and other long-term assets	305.3	315.5
	\$ 7,485.6	\$ 7,027.0
<b>Liabilities &amp; Equity</b>		
Current Liabilities:		
Accounts payable	\$ 661.5	\$ 618.4
Accrued salaries, wages and employee benefits	108.7	109.9
Accrued income taxes	97.8	90.8
Accrued dividends	43.1	38.7
Other accrued expenses	169.8	186.2
Current portion of long-term debt	0.4	1.6
Total current liabilities	1,081.3	1,045.6
Long-term debt, less current portion	2,853.0	2,672.3
Accrued pension benefit obligations and other long-term liabilities	369.9	371.2
Equity:		
Common stock	0.3	0.3
Additional paid-in capital	745.9	659.4
Retained earnings	2,700.7	2,453.5
Accumulated other comprehensive loss	(303.6)	(205.8)
Total shareholders' equity attributable to Amphenol Corporation	3,143.3	2,907.4

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Noncontrolling interests	38.1	30.5
Total equity	3,181.4	2,937.9
	\$ 7,485.6	\$ 7,027.0

See accompanying notes to condensed consolidated financial statements.

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## AMPHENOL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(dollars in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	\$ 1,459.6	\$ 1,358.7	\$ 4,138.2	\$ 3,919.0
Cost of sales	995.6	927.1	2,817.1	2,681.7
Gross profit	464.0	431.6	1,321.1	1,237.3
Acquisition-related expenses		2.5	5.7	4.6
Selling, general and administrative expense	169.2	161.3	499.7	476.9
Operating income	294.8	267.8	815.7	755.8
Interest expense	(17.0)	(21.1)	(51.1)	(60.2)
Other income, net	4.2	4.8	12.5	13.0
Income before income taxes	282.0	251.5	777.1	708.6
Provision for income taxes	(74.7)	(67.3)	(207.4)	(188.2)
Net income	207.3	184.2	569.7	520.4
Less: Net income attributable to noncontrolling interests	(2.8)	(2.0)	(6.4)	(4.8)
Net income attributable to Amphenol Corporation	\$ 204.5	\$ 182.2	\$ 563.3	\$ 515.6
Net income per common share-Basic	\$ 0.66	\$ 0.58	\$ 1.82	\$ 1.64
Weighted average common shares outstanding- Basic	308,853,642	313,284,242	309,262,335	314,183,699
Net income per common share-Diluted	\$ 0.65	\$ 0.57	\$ 1.78	\$ 1.60
Weighted average common shares outstanding -Diluted	315,886,596	320,636,405	316,909,091	321,518,036
Dividends declared per common share	\$ 0.14	\$ 0.125	\$ 0.39	\$ 0.325

See accompanying notes to condensed consolidated financial statements.

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## AMPHENOL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 207.3	\$ 184.2	\$ 569.7	\$ 520.4
Total other comprehensive loss, net of tax:				
Foreign currency translation adjustments	(52.8)	(43.7)	(109.5)	(41.8)
Unrealized gain (loss) on cash flow hedges	0.1	(1.2)	0.3	(0.6)
Defined benefit plan adjustment, net of tax of \$2.5 and \$5.8, respectively	4.6		10.8	
Total other comprehensive loss, net of tax	(48.1)	(44.9)	(98.4)	(42.4)
Total comprehensive income	159.2	139.3	471.3	478.0
Less: Comprehensive income attributable to noncontrolling interests	(2.2)	(2.1)	(5.8)	(4.5)
Comprehensive income attributable to Amphenol Corporation	\$ 157.0	\$ 137.2	\$ 465.5	\$ 473.5

See accompanying notes to condensed consolidated financial statements.

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## AMPHENOL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(dollars in millions)

	Nine Months Ended September 30,	
	2015	2014
Cash from operating activities:		
Net income	\$ 569.7	\$ 520.4
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	128.1	118.0
Stock-based compensation expense	32.1	29.4
Excess tax benefits from stock-based compensation payment arrangements	(9.4)	(29.6)
Net change in components of working capital	(7.0)	(24.3)
Net change in other long-term assets and liabilities	(5.3)	(6.5)
Net cash provided by operating activities	708.2	607.4
Cash from investing activities:		
Purchases of land and depreciable assets	(130.8)	(162.7)
Proceeds from disposals of land and depreciable assets	6.7	2.2
Purchases of short-term investments	(121.9)	(478.8)
Sales and maturities of short-term investments	459.5	410.4
Acquisitions, net of cash acquired	(199.8)	(468.0)
Net cash provided by (used in) investing activities	13.7	(696.9)
Cash from financing activities:		
Proceeds from issuance of senior notes		1,498.1
Long-term borrowings under credit facilities	125.0	563.5
Repayments of long-term debt	(211.8)	(1,570.7)
Borrowings under commercial paper program, net	266.9	
Payments of costs related to debt financing		(10.7)
Proceeds from exercise of stock options	45.8	88.8
Excess tax benefits from stock-based compensation payment arrangements	9.4	29.6
Distributions to shareholders of noncontrolling interests	(6.1)	(3.6)
Purchase and retirement of treasury stock	(195.6)	(400.8)
Dividend payments	(116.1)	(101.9)
Net cash (used in) provided by financing activities	(82.5)	92.3
Effect of exchange rate changes on cash and cash equivalents	(32.7)	(16.6)
Net change in cash and cash equivalents	606.7	(13.8)
Cash and cash equivalents balance, beginning of period	968.9	886.8
Cash and cash equivalents balance, end of period	\$ 1,575.6	\$ 873.0
Cash paid for:		



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Interest	\$	62.1	\$	51.7
Income taxes		182.9		160.9

See accompanying notes to condensed consolidated financial statements.

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AMPHENOL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(dollars in millions, except per share data)

**Note 1 Basis of Presentation and Principles of Consolidation**

The condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, the related condensed consolidated statements of income for the three and nine months ended September 30, 2015 and 2014, the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2015 and 2014 and the condensed consolidated statements of cash flow for the nine months ended September 30, 2015 and 2014 include the accounts of Amphenol Corporation and its subsidiaries (the Company). 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, 2015 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, 2014 (the 2014 Annual Report).

During the second quarter of 2015, the Company changed the reporting for borrowings and repayments related to the Company's commercial paper program from a gross basis to a net basis in the accompanying Condensed Consolidated Statements of Cash Flow, to the extent such borrowings under this program have maturities that are three months or less. There were no borrowings or repayments under this program during the nine months ended September 30, 2014.

**Note 2 New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which stipulates that an entity should 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. To achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract(s); (3) determine the transaction price(s); (4) allocate the transaction price(s) to the performance obligations in the contract(s); and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires advanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU 2014-09 was originally effective for annual reporting periods beginning after December 15, 2016, with early adoption not permitted. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (ASU 2015-14), which defers the effective date of FASB's revenue standard under ASU 2014-09 by one year for all entities and permits early adoption on a limited basis. As a result of ASU 2015-14, the guidance under ASU 2014-09 shall apply for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that period. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. The Company is currently evaluating ASU 2014-09 and does not anticipate a material impact on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ( ASU 2014-15 ), amending FASB Accounting Standards Subtopic 205-40 to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that financial statements are issued. ASU 2014-15 is effective for fiscal years ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is currently evaluating ASU 2014-15 and does not anticipate a material impact on its consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ( ASU 2015-03 ), which specifies that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction

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from the face amount of that note and that amortization of debt issuance costs shall be reported as interest expense. In August 2015, the FASB issued Accounting Standards Update No. 2015-15, *Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting* ( ASU 2015-15 ), which further clarifies ASU 2015-03 as it relates to presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied retrospectively. Early adoption of ASU 2015-03 is permitted. The Company has evaluated ASU 2015-03 and it will not have a material impact on its consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Simplifying the Measurement of Inventory* ( ASU 2015-11 ), which requires inventory to be measured at the lower of cost and net realizable value, thereby simplifying the current guidance of measuring inventory at the lower of cost or market. ASU 2015-11 is effective prospectively for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company is currently evaluating ASU 2015-11 and does not believe this ASU will have a material impact on its consolidated financial statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ( ASU 2015-16 ), which eliminates the requirement to restate prior period financial statements for measurement period adjustments. Rather, ASU 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. ASU 2015-16 is effective for interim and annual periods beginning after December 15, 2015, with early adoption being permitted. The Company elected to early adopt ASU 2015-16 in the third quarter of 2015, which did not have a material impact on its consolidated financial statements.

**Note 3 Inventories**

Inventories consist of:

	September 30, 2015	December 31, 2014
Raw materials and supplies	\$ 307.3	\$ 299.4
Work in process	293.7	282.8
Finished goods	286.7	283.4
	\$ 887.7	\$ 865.6

**Note 4 Reportable Business Segments**

The Company has two reportable business segments: (i) Interconnect Products and Assemblies and (ii) Cable Products and Solutions. The Company aggregates its operating segments into reportable segments based upon similar economic characteristics and business groupings of products, services and customers. The Interconnect Product and Assemblies segment primarily designs, manufactures and markets a broad range of connector and connector systems, value-added 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-added 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 in

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Note 1 of the notes to the consolidated financial statements in the Company's 2014 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 months ended September 30, 2015 and 2014 are as follows:

	Interconnect Products and Assemblies		Cable Products and Solutions		Total	
	2015	2014	Three months ended September 30,		2015	2014
			2015	2014		
Net sales:						
External	\$ 1,378.2	\$ 1,268.6	\$ 81.4	\$ 90.1	\$ 1,459.6	\$ 1,358.7
Intersegment	1.5	2.2	5.6	1.3	7.1	3.5
Segment operating income	307.4	279.8	10.2	11.3	317.6	291.1

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The segment results for the nine months ended September 30, 2015 and 2014 are as follows:

	Interconnect Products and Assemblies		Cable Products and Solutions		Total	
	2015	2014	Nine months ended September 30,		2015	2014
			2015	2014		
Net sales:						
External	\$ 3,889.5	\$ 3,650.1	\$ 248.7	\$ 268.9	\$ 4,138.2	\$ 3,919.0
Intersegment	5.6	4.9	15.7	13.0	21.3	17.9
Segment operating income	856.3	786.8	30.2	33.6	886.5	820.4

A reconciliation of segment operating income to consolidated income before income taxes for the three and nine months ended September 30, 2015 and 2014 is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Segment operating income	\$ 317.6	\$ 291.1	\$ 886.5	\$ 820.4
Interest expense	(17.0)	(21.1)	(51.1)	(60.2)
Interest income	4.9	5.3	14.3	14.6
Stock-based compensation expense	(11.8)	(10.1)	(32.1)	(29.4)
Acquisition-related expenses		(2.5)	(5.7)	(4.6)
Other costs, net	(11.7)	(11.2)	(34.8)	(32.2)
Income before income taxes	\$ 282.0	\$ 251.5	\$ 777.1	\$ 708.6

**Note 5 Changes in 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.

A rollforward of consolidated changes in equity for the nine months ended September 30, 2015 is as follows:

	Amphenol Corporation Shareholders							Total Equity
	Common Stock Shares (in millions)	Amount	Additional Paid- In Capital	Retained Earnings	Accum. Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	
<b>Balance as of December 31, 2014</b>	309.8	\$ 0.3	\$ 659.4	\$ 2,453.5	\$ (205.8)	\$	\$ 30.5	\$ 2,937.9
Net income				563.3			6.4	569.7
Other comprehensive income (loss)					(97.8)		(0.6)	(98.4)

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Distributions to shareholders of noncontrolling interests								(6.1)	(6.1)
Acquisition resulting in noncontrolling interest								7.9	7.9
Purchase of treasury stock								(195.6)	(195.6)
Retirement of treasury stock	(3.5)							195.6	
Stock options exercised, including tax benefit	1.9			54.4					54.4
Dividends declared								(120.5)	(120.5)
Stock-based compensation expense				32.1					32.1
<b>Balance as of September 30, 2015</b>	<b>308.2</b>	<b>\$ 0.3</b>	<b>\$ 745.9</b>	<b>\$ 2,700.7</b>	<b>\$ (303.6)</b>	<b>\$</b>	<b>\$</b>	<b>38.1</b>	<b>\$ 3,181.4</b>

A rollforward of consolidated changes in equity for the nine months ended September 30, 2014 is as follows:

	Amphenol Corporation Shareholders							Total Equity
	Common Stock Shares (in millions)	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accum. Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	
<b>Balance as of December 31, 2013</b>	316.4	\$ 0.3	\$ 489.8	\$ 2,424.4	\$ (55.0)	\$	\$ 20.6	\$ 2,880.1
Net income				515.6			4.8	520.4
Other comprehensive income (loss)					(42.1)		(0.3)	(42.4)
Distributions to shareholders of noncontrolling interests							(3.6)	(3.6)
Purchase of treasury stock						(400.8)		(400.8)
Retirement of treasury stock	(8.5)			(400.8)		400.8		
Stock options exercised, including tax benefit	4.4		116.5					116.5
Dividends declared				(101.9)				(101.9)
Stock-based compensation expense			29.4					29.4