

BENCHMARK ELECTRONICS INC
Form 10-Q
August 08, 2012

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
^XACT OF 1934
For the quarterly period ended June 30, 2012.**

**..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: 1-10560

BENCHMARK ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Texas	74-2211011
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

PART I—FINANCIAL INFORMATION**Item 1. Financial Statements****BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

(in thousands, except par value)	June 30, 2012 (unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 280,812	\$ 283,920
Accounts receivable, net of allowance for doubtful accounts of \$1,382 and \$1,094, respectively	457,969	425,936
Inventories, net	387,665	391,580
Prepaid expenses and other assets	60,517	84,723
Income taxes receivable	9,442	6,667
Deferred income taxes	4,763	8,175
Total current assets	1,201,168	1,201,001
Long-term investments	15,729	24,673
Property, plant and equipment, net of accumulated depreciation of \$317,354 and \$312,983 respectively	168,483	163,660
Goodwill, net	37,912	37,912
Deferred income taxes	36,288	37,420
Other, net	33,377	35,332
	\$ 1,492,957	\$ 1,499,998
Liabilities and Shareholders' Equity		
Current liabilities:		
	\$ 458	\$ 419

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-Q

Current installments of capital lease obligations		
Accounts payable	277,042	285,671
Income taxes payable	4,088	5,224
Accrued liabilities	62,400	60,636
Total current liabilities	343,988	351,950
Capital lease obligations, less current installments	10,361	10,600
Other long-term liabilities	22,169	21,700
Shareholders' equity:		
Preferred shares, \$0.10 par value; 5,000 shares authorized, none issued	—	—
Common shares, \$0.10 par value; 145,000 shares authorized; issued – 56,692 and 57,902, respectively; outstanding – 56,581 and 57,791, respectively	5,658	5,779
Additional paid-in capital	662,287	674,498
Retained earnings	462,597	449,193
Accumulated other comprehensive loss	(13,831)	(13,450)
Less treasury shares, at cost; 111 shares	(272)	(272)
Total shareholders' equity	1,116,439	1,115,748
Commitments and contingencies		
	\$ 1,492,957	\$ 1,499,998

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Income****(unaudited)**

(in thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Sales	\$630,031	\$585,549	\$1,223,448	\$1,123,861
Cost of sales	584,040	547,798	1,136,949	1,048,486
Gross profit	45,991	37,751	86,499	75,375
Selling, general and administrative expenses	22,779	23,105	45,280	44,948
Restructuring charges	286	480	250	480
Thailand flood related charges	4,658	—	14,876	—
Income from operations	18,268	14,166	26,093	29,947
Interest expense	(322)	(331)	(647)	(663)
Interest income	231	443	609	847
Other income (expense)	(448)	731	(82)	296
Income before income taxes	17,729	15,009	25,973	30,427
Income tax expense	4,149	308	6,795	1,213
Net income	\$13,580	\$14,701	\$19,178	\$29,214
Earnings per share:				
Basic	\$0.24	\$0.24	\$0.34	\$0.48
Diluted	\$0.24	\$0.24	\$0.33	\$0.48
Weighted-average number of shares outstanding:				
Basic	56,963	60,159	57,223	60,537
Diluted	57,198	60,567	57,599	61,125

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Comprehensive Income****(unaudited)**

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Net income	\$13,580	\$14,701	\$19,178	\$29,214
Other comprehensive income (loss):				
Foreign currency translation adjustments	(3,534)	1,253	(487)	5,837
Unrealized gain (loss) on investments, net of tax	(565)	525	81	754
Other	27	20	25	33
Comprehensive income	\$9,508	\$16,499	\$18,797	\$35,838

The components of accumulated other comprehensive loss are as follows:

(in thousands)	June 30, 2012	December 31, 2011
Foreign currency translation adjustments	\$(10,161)	\$(9,674)
Unrealized loss on investments, net of tax	(3,246)	(3,327)
Other	(424)	(449)
Accumulated other comprehensive loss	\$(13,831)	\$(13,450)

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Statement of Shareholders' Equity****(unaudited)**

(in thousands)	Shares	Common shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury shares	Total shareholders' equity
Balances, December 31, 2011	57,791	\$ 5,779	\$ 674,498	\$ 449,193	\$ (13,450)	\$ (272)	\$ 1,115,748
Stock-based compensation expense	—	—	3,050	—	—	—	3,050
Shares repurchased and retired	(1,615)	(162)	(17,356)	(5,774)	—	—	(23,292)
Stock options exercised	192	20	2,236	—	—	—	2,256
Issuance of restricted shares, net of forfeitures	213	21	(21)	—	—	—	—
Excess tax shortfall of stock-based compensation	—	—	(120)	—	—	—	(120)
Comprehensive income (loss)	—	—	—	19,178	(381)	—	18,797
Balances, June 30, 2012	56,581	\$ 5,658	\$ 662,287	\$ 462,597	\$ (13,831)	\$ (272)	\$ 1,116,439

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Cash Flows****(unaudited)**

(in thousands)	Six Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	\$ 19,178	\$ 29,214
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,443	17,387
Deferred income taxes	4,244	968
Gain on the sale of property, plant and equipment	(190)	(35)
Asset impairment	—	24
Stock-based compensation expense	3,050	2,640
Excess tax benefit from stock-based compensation	(22)	(41)
Changes in operating assets and liabilities:		
Accounts receivable	(33,503)	5,236
Inventories	1,908	(32,030)
Prepaid expenses and other assets	14,659	6,175
Accounts payable	(8,044)	(3,463)
Accrued liabilities	2,346	(7,199)
Income taxes	(3,455)	(7,132)
Net cash provided by operations	17,614	11,744

Cash flows from investing activities:				
Proceeds from sales and redemptions of investments	9,025		7,150	
Additions to property, plant and equipment	(20,426))	(36,328))
Proceeds from the sale of property, plant and equipment	198		150	
Additions to purchased software	(460))	(499))
Thailand flood property insurance proceeds	9,966		—	
Net cash used in investing activities	(1,697))	(29,527))
Cash flows from financing activities:				
Proceeds from stock options exercised	2,256		1,455	
Excess tax benefits from stock-based compensation	22		41	
Principal payments on capital lease obligations	(200))	(180))
Share repurchases	(23,292))	(24,680))
Net cash used in financing activities	(21,214))	(23,364))
Effect of exchange rate changes	2,189		1,310	
Net decrease in cash and cash equivalents	(3,108))	(39,837))
Cash and cash equivalents at beginning of year	283,920		346,345	
Cash and cash equivalents at June 30	\$ 280,812		\$ 306,508	

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(amounts in thousands, except per share data, unless otherwise noted)

(unaudited)

Note 1 – Basis of Presentation

Benchmark Electronics, Inc. (the Company) is a Texas corporation that provides worldwide integrated manufacturing services. The Company provides services to original equipment manufacturers (OEMs) of computers and related products for business enterprises, medical devices, industrial control equipment, which includes equipment for the aerospace and defense industry, testing and instrumentation products and telecommunication equipment. The Company has manufacturing operations located in the Americas, Asia and Europe.

The condensed consolidated financial statements included herein have been prepared by the Company without an audit pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The financial statements reflect all normal and recurring adjustments which in the opinion of management are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles. Actual results could differ from those estimates.

Certain reclassifications of prior period amounts have been made to conform to the current presentation.

Note 2 – Stock-Based Compensation

The Benchmark Electronics, Inc. 2000 Stock Awards Plan (the 2000 Plan) and the Benchmark Electronics, Inc. 2010 Omnibus Incentive Compensation Plan (the 2010 Plan) authorize the Company, upon recommendation of the compensation committee of the Board of Directors, to grant a variety of types of awards, including stock options, restricted shares, restricted stock units, stock appreciation rights, performance compensation awards, phantom stock awards and deferred share units, or any combination thereof, to any director, officer, employee or consultant

(including any prospective director, officer, employee or consultant) of the Company. Stock options are granted to employees with an exercise price equal to the market price of the Company's common shares on the date of grant, generally vest over a four-year period from the date of grant and have a term of ten years. Restricted shares, restricted stock units and phantom stock awards granted to employees generally vest over a four-year period from the date of grant, subject to the continued employment of the employee by the Company. The 2000 Plan expired on February 16, 2010 and no additional grants can be made under that plan. The 2010 Plan was approved by the Company's shareholders on May 18, 2010 and replaced the 2000 Plan. Members of the Board of Directors who are not employees of the Company also receive equity awards under the 2010 Plan. Beginning in 2011, these awards were in the form of restricted stock units, which vest in equal quarterly installments over a one-year period, starting from the grant date. As of June 30, 2012, 3.0 million additional common shares are available for issuance under the Company's existing plans.

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based on their fair values. The total compensation cost recognized for stock-based awards was \$1.8 million and \$3.1 million for the three and six months ended June 30, 2012, respectively, and \$1.5 million and \$2.6 million for the three and six months ended June 30, 2011, respectively. The total income tax benefit recognized in the income statement for stock-based awards was \$0.6 million and \$0.8 million for the three and six months ended June 30, 2012, respectively, and \$0.5 million and \$0.8 million for the three and six months ended June 30, 2011, respectively. The compensation expense for stock-based awards includes an estimate for forfeitures and is recognized over the vesting period of the awards using the straight-line method. Cash flows from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for stock-based awards (excess tax benefits) are classified as cash flows from financing activities. Awards of restricted shares, restricted stock units, performance restricted stock units and phantom stock are valued at the closing market price of the Company's common shares on the date of grant. For restricted stock unit awards with performance conditions, compensation expense is based on the probability that the performance goals will be achieved which is monitored by management throughout the requisite service period. If it becomes probable, based on the Company's expectation of performance during the measurement period, that more or less than the previous estimate of the awarded shares will vest, an adjustment to stock-based compensation expense will be recognized as a change in accounting estimate.

As of June 30, 2012, there was approximately \$5.5 million of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be recognized over a weighted-average period of 1.7 years. As of June 30, 2012, there was \$5.7 million of total unrecognized compensation cost related to restricted share awards. That cost is expected to be recognized over a weighted-average period of 2.9 years. As of June 30, 2012, there was \$2.0 million of total unrecognized compensation cost related to restricted stock units and phantom stock awards. That cost is expected to be recognized over a weighted-average period of 2.3 years. As of June 30, 2012, there was \$2.4 million of total unrecognized compensation cost related to performance based restricted stock units. That cost is expected to be recognized over a weighted-average period of 3.3 years.

The Company issued 13 thousand and 430 thousand stock options during the three and six months ended June 30, 2012, respectively, and 3 thousand and 399 thousand stock options during the three and six months ended June 30, 2011, respectively. The weighted-average assumptions used to value the options granted during the three and six months ended June 30, 2012 and 2011 were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Expected term of options	6.0 years	5.0 years	6.7 years	6.2 years
Expected volatility	43 %	42 %	42 %	41 %
Risk-free interest rate	1.047 %	1.877 %	1.306 %	2.674 %
Dividend yield	zero	zero	zero	zero

The expected term of the options represents the estimated period of time until exercise and is based on historical experience, giving consideration to the contractual terms, vesting schedules and expectations of future plan participant behavior. Separate groups of plan participants that have similar historical exercise behavior are considered separately for valuation purposes. Expected stock price volatility is based on the historical volatility of the Company's common shares. The risk-free interest rate is based on the U.S. Treasury zero-coupon rates in effect at the time of grant with an equivalent remaining term. The dividend yield reflects that the Company has not paid any cash dividends since inception and does not anticipate paying cash dividends in the foreseeable future.

The weighted-average fair value per option granted during the three and six months ended June 30, 2012 was \$6.21 and \$6.83, respectively. The total cash received as a result of stock option exercises for the six months ended June 30, 2012 and 2011 was approximately \$2.3 million and \$1.5 million, respectively. The actual tax benefit realized as a result of stock option exercises and the vesting of other share-based awards during the six months ended June 30, 2012 and 2011 was \$0.7 million and \$0.3 million, respectively. For the six months ended June 30, 2012 and 2011, the total intrinsic value of stock options exercised was \$0.9 million and \$0.8 million, respectively.

The Company issued performance based restricted stock unit awards to employees during the six months ended June 30, 2012 and 2011. The number of performance based restricted stock unit awards that will ultimately be earned will not be determined until the end of the performance periods, which are in December 31, 2014 and 2015, and may vary from as low as zero to as high as three times the target number depending on the level of achievement of certain performance goals. The level of achievement of these goals is based upon the audited financial results of the Company for the last full calendar year within the performance period (the years ending December 31, 2014 and 2015) as compared to the base year (the years ended December 31, 2010 and 2011). The performance goals consist of certain levels of achievement using the following financial metrics: revenue growth, operating income margin expansion, and return on invested capital. If the performance goals are not met based on the Company's financial results, the applicable performance based restricted stock unit awards will not vest and will be forfeited.

The following table summarizes the activities relating to the Company's stock options:

(in thousands, except per share data)	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2011	4,525	\$ 19.69	5.05	
Granted	430	\$ 15.77		
Exercised	(192)	\$ 11.76		
Forfeited or expired	(290)	\$ 20.46		
Outstanding as of June 30, 2012	4,473	\$ 19.61	5.11	\$ 1,062
Exercisable as of June 30, 2012	3,425	\$ 20.63	4.12	\$ 742

The aggregate intrinsic value in the table above is before income taxes and is calculated as the difference between the exercise price of the underlying options and the Company's closing stock price as of the last business day of the period ended June 30, 2012 for options that had exercise prices that were below the closing price.

The following table summarizes the activities related to the Company's restricted shares:

(in thousands, except per share data)	Shares	Weighted- Average Grant Date Fair Value
Non-vested shares outstanding as of December 31, 2011	244	\$ 18.23
Granted	207	\$ 15.56
Vested	(44)	\$ 18.42
Forfeited	(22)	\$ 17.55
Non-vested shares outstanding as of June 30, 2012	385	\$ 16.81

The following table summarizes the activities related to the Company's time based restricted stock units and phantom stock awards:

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-Q

(in thousands, except per share data)	Shares	Weighted- Average Grant Date Fair Value
Non-vested shares outstanding as of December 31, 2011	83	\$ 17.88
Granted	95	\$ 15.50
Vested	(28)	\$ 17.35
Forfeited	(10)	\$ 17.13
Non-vested shares outstanding as of June 30, 2012	140	\$ 16.42

10

The following table summarizes the activities related to the Company's performance based restricted stock unit awards:

(in thousands, except per share data)	Shares	Weighted-Average Grant Date Fair Value
Non-vested shares outstanding as of December 31, 2011	68	\$ 18.57
Granted ⁽¹⁾	103	\$ 15.11
Forfeited	(7)	\$ 18.57
Non-vested shares outstanding as of June 30, 2012	164	\$ 16.39

⁽¹⁾ Represents target number of shares that can vest based on the achievement of certain performance criteria.

Note 3 – Earnings Per Share

Basic earnings per share is computed using the weighted-average number of shares outstanding. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for the incremental shares attributed to outstanding stock equivalents during the three and six months ended June 30, 2012 and 2011. Stock equivalents include common shares issuable upon the exercise of stock options and other equity instruments, and are computed using the treasury stock method. Under the treasury stock method, the exercise price of a share, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of estimated tax benefits that would be recorded in paid-in-capital, if any, when the share is exercised are assumed to be used to repurchase shares in the current period.

The following table sets forth the calculation of basic and diluted earnings per share.

(in thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Net income	\$13,580	\$14,701	\$19,178	\$29,214
Denominator for basic earnings per share - weighted-average number of common shares outstanding during the period	56,963	60,159	57,223	60,537

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-Q

Incremental common shares attributable to exercise of outstanding dilutive options	124	313	173	413
Incremental common shares attributable to outstanding restricted shares, restricted stock units and phantom stock	111	95	203	175
Denominator for diluted earnings per share	57,198	60,567	57,599	61,125
Basic earnings per share	\$0.24	\$0.24	\$0.34	\$0.48
Diluted earnings per share	\$0.24	\$0.24	\$0.33	\$0.48

Options to purchase 3.8 million and 3.6 million common shares for the three and six months ended June 30, 2012, respectively, were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive. Options to purchase 3.7 million and 2.9 million common shares for the three and six months ended June 30, 2011, respectively, were not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price of the common shares.

Note 4 – Goodwill and Other Intangible Assets

Goodwill associated with the Company's Asia business segment totaled \$37.9 million at both June 30, 2012 and December 31, 2011. Accumulated goodwill impairment losses associated with the Company's Americas and Europe business segments totaled \$247.5 million at both June 30, 2012 and December 31, 2011.

Other assets consist primarily of acquired identifiable intangible assets, capitalized purchased software costs and assets held for sale. Other intangible assets as of June 30, 2012 and December 31, 2011 were as follows:

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 17,729	\$ (9,782)	\$ 7,947
Technology licenses	11,300	(7,541)	3,759
Other	868	(129)	739

Other intangible assets, June 30, 2012 \$ 29,897 \$ (17,452) \$ 12,445

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 17,763	\$ (8,916)	\$ 8,847
Technology licenses	11,300	(6,974)	4,326
Other	868	(118)	750

Other intangible assets, December 31, 2011 \$ 29,931 \$ (16,008) \$ 13,923

Customer relationships are being amortized on a straight-line basis over a period of ten years. Technology licenses are being amortized over their estimated useful lives in proportion to the economic benefits consumed. Amortization of other intangible assets for the six months ended June 30, 2012 and 2011 was \$1.5 million and \$2.1 million, respectively.

The estimated future amortization expense of other intangible assets for each of the next five years is as follows (in thousands):

Year ending December 31, Amount

2012 (remaining six months)	\$ 1,246
2013	2,573
2014	2,573
2015	2,573
2016	2,475

Note 5 – Borrowing Facilities

Under the terms of a credit agreement (the U.S. Credit Agreement), the Company had a \$100 million five-year revolving credit facility for general corporate purposes. The U.S. Credit Agreement included an accordion feature under which total commitments under the facility may be increased by an additional \$100 million, subject to satisfaction of certain conditions and lender approval.

Interest on outstanding borrowings under the U.S. Credit Agreement was payable quarterly, at the Company's option, at either LIBOR plus 0.75% to 1.75% or a prime rate plus 0.00% to 0.25%, based upon the Company's debt ratio as specified in the U.S. Credit Agreement. A commitment fee of 0.15% to 0.35% per annum (based upon the Company's debt ratio as specified in the U.S. Credit Agreement) on the unused portion of the revolving credit line was payable quarterly in arrears. As of both June 30, 2012 and December 31, 2011, the Company had no borrowings outstanding under the U.S. Credit Agreement and \$100 million was available for future borrowings.

The U.S. Credit Agreement was secured by the Company's domestic inventory and accounts receivable, 100% of the stock of the Company's domestic subsidiaries, 65% of the voting capital stock of each direct foreign subsidiary and substantially all of the other tangible and intangible assets of the Company and its domestic subsidiaries. The U.S. Credit Agreement contained customary financial covenants as to working capital, debt leverage, fixed charges and consolidated net worth, and restricted the ability of the Company to incur additional debt, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. As of June 30, 2012, the Company was in compliance with all such covenants and restrictions.

On July 30, 2012, the Company entered into a \$200 million five-year revolving credit facility to be used for general corporate purposes. Upon entering into this new revolving credit facility, the Company terminated the U.S. Credit Agreement. This new credit facility includes an accordion feature under which total commitments under the facility may be increased by an additional \$100 million, subject to satisfaction of certain conditions and lender approval. The new revolving credit agreement contains customary financial covenants as to working capital, debt leverage, fixed charges and consolidated net worth, and restricts our ability to incur additional debt, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons.

The Company's Thailand subsidiary has a multi-purpose credit facility with Kasikornbank Public Company Limited (the Thai Credit Facility) that provides for approximately \$11.0 million (350 million Thai baht) in working capital availability. The Thai Credit Facility is secured by land and buildings in Thailand. Availability of funds under the Thai Credit Facility is reviewed annually and is currently accessible through October 2012. As of June 30, 2012 and December 31, 2011, the Company's Thailand subsidiary had no working capital borrowings outstanding.

Note 6 – Inventories

Inventory costs are summarized as follows:

(in thousands)	June 30, 2012	December 31, 2011
Raw materials	\$259,077	\$ 293,618
Work in process	79,273	71,574
Finished goods	49,315	26,388
	\$387,665	\$ 391,580

Note 7 – Income Taxes

Income tax expense consists of the following:

	Six Months Ended June 30,	
(in thousands)	2012	2011
Federal – Current	\$ 512	\$ 184
Foreign – Current	1,948	(117)
State – Current	91	121
Deferred	4,244	1,025
	\$ 6,795	\$ 1,213

In 2012, income tax expense differs from the amount computed by applying the U.S. federal statutory income tax rate to income before income tax primarily due to the impact of tax incentives and tax holidays in foreign locations, state income taxes (net of federal benefit), and adjustments to valuation allowances on deferred tax assets.

The Company considers earnings from foreign subsidiaries to be permanently reinvested and, accordingly, no provision for U.S. federal and state income taxes has been made for these earnings. Upon distribution of foreign subsidiary earnings in the form of dividends or otherwise, such distributed earnings would be reportable for U.S. income tax purposes (subject to adjustment for foreign tax credits). Determination of the amount of any unrecognized deferred tax liability on these undistributed earnings is not practical.

The Company has been granted certain tax incentives, including tax holidays, for its subsidiaries in China, Malaysia and Thailand. These tax incentives, including tax holidays, expire on various dates through 2015, and are subject to certain conditions with which the Company expects to comply. The net impact of these tax incentives was to lower income tax expense for the six month periods ended June 30, 2012 and 2011 by approximately \$3.9 million (approximately \$0.07 per diluted share) and \$5.5 million (approximately \$0.09 per diluted share), respectively.

As of June 30, 2012, the total amount of the reserve for uncertain tax benefits including interest and penalties is \$21.4 million. The reserve is classified as a current or long-term liability in the consolidated balance sheet based on the Company's expectation of when the items will be settled. The amount of accrued potential interest and penalties on unrecognized tax benefits included in the reserve as of June 30, 2012 is \$1.6 million and \$1.6 million, respectively. No material changes affected the reserve during the three and six months ended June 30, 2012.

The Company and its subsidiaries in Brazil, China, Ireland, Luxembourg, Malaysia, Mexico, the Netherlands, Romania, Singapore, Thailand and the United States remain open to examination by the various local taxing authorities, in total or in part, for fiscal years 2006 to 2011.

The Company is subject to examination by tax authorities for varying periods in various U.S. and foreign tax jurisdictions. During the course of such examinations disputes occur as to matters of fact and/or law. Also, in most tax jurisdictions the passage of time without examination will result in the expiration of applicable statutes of limitations thereby precluding the taxing authority from conducting an examination of the tax period(s) for which such statute of limitation has expired. The Company believes that it has adequately provided for its tax liabilities.

Note 8 – Segment and Geographic Information

The Company has manufacturing facilities in the Americas, Asia and Europe to serve its customers. The Company is operated and managed geographically, and management evaluates performance and allocates the Company's resources on a geographic basis. Intersegment sales are generally recorded at prices that approximate arm's length transactions. Operating segments' measure of profitability is based on income from operations. The accounting policies for the reportable operating segments are the same as for the Company taken as a whole. The Company has three reportable operating segments: the Americas, Asia and Europe. Information about operating segments was as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Net sales:				
Americas	\$372,010	\$345,200	\$724,626	\$665,671
Asia	247,707	232,824	482,824	438,448
Europe	34,043	43,944	71,483	86,753
Elimination of intersegment sales	(23,729)	(36,419)	(55,485)	(67,011)
	\$630,031	\$585,549	\$1,223,448	\$1,123,861
Depreciation and amortization:				
Americas	\$3,817	\$4,403	\$7,257	\$8,257
Asia	3,710	3,073	7,268	6,167
Europe	657	675	1,329	1,330
Corporate	804	807	1,589	1,633
	\$8,988	\$8,958	\$17,443	\$17,387
Income from operations:				
Americas	\$17,920	\$13,969	\$30,698	\$26,561
Asia	10,024	8,153	14,071	18,911
Europe	61	553	733	1,395
Corporate and intersegment eliminations	(9,737)	(8,509)	(19,409)	(16,920)
	\$18,268	\$14,166	\$26,093	\$29,947
Capital expenditures:				
Americas	\$3,695	\$7,907	\$8,960	\$11,072
Asia	4,963	2,172	10,374	24,417
Europe	250	564	953	755
Corporate	30	80	599	583
	\$8,938	\$10,723	\$20,886	\$36,827

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-Q

	June 30, 2012	December 31, 2011
Total assets:		
Americas	\$584,327	\$650,998
Asia	636,502	610,596
Europe	183,749	197,132
Corporate and other	88,379	41,272
	\$1,492,957	\$1,499,998

Geographic net sales information reflects the destination of the product shipped. Long-lived assets information is based upon the physical location of the asset.

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Geographic net sales:				
United States	\$455,400	\$397,317	\$877,378	\$756,133
Asia	97,679	85,901	195,385	157,298
Europe	66,929	87,317	129,843	182,711
Other Foreign	10,023	15,014	20,842	27,719
	\$630,031	\$585,549	\$1,223,448	\$1,123,861

	June 30, 2012	December 31, 2011
Long-lived assets:		
United States	\$73,070	\$ 70,756
Asia	101,703	98,675
Europe	11,010	11,817
Other	16,077	17,744
	\$201,860	\$ 198,992

Note 9 – Supplemental Cash Flow Information

The following is additional information concerning supplemental disclosures of cash payments.

(in thousands)	Three Months		Six Months	
	Ended June 30, 2012	2011	Ended June 30, 2012	2011
Income taxes paid, net	\$1,400	\$3,602	\$5,850	\$6,961
Interest paid	313	319	633	649

Note 10 – Contingencies

The Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Note 11 – Impact of Recently Enacted Accounting Standards

In September 2011, the Financial Accounting Standards Board (FASB) issued an accounting standards update that gives an entity the option to perform a qualitative assessment in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Based on this qualitative assessment, if the fair value of a reporting unit is not less than its carrying amount, the entity is not required to perform the two-step goodwill impairment test. The Company adopted the provisions of this update January 1, 2012. The adoption of this standard had no impact on the Company's consolidated financial statements and footnote disclosures.

In December 2011, the FASB issued an amendment to disclosures about offsetting assets and liabilities. The amended standard requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption of this guidance is not anticipated to have a material impact on the Company's consolidated financial statements and footnote disclosures.

The Company has determined that all other recently issued accounting standards will not have a material impact on its consolidated financial position, results of operations or cash flows, or do not apply to its operations.

Note 12 – Restructuring Charges

The Company has undertaken initiatives to restructure its business operations with the intention of improving utilization and realizing cost savings in the future. These initiatives have included changing the number and location of production facilities, largely to align capacity and infrastructure with current and anticipated customer demand. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The process of restructuring entails, among other activities, moving production between facilities, reducing staff levels, realigning our business processes and reorganizing our management.

The Company recognized restructuring charges during 2012, 2011, 2010 and 2009 primarily related to the closure of facilities, capacity reduction and reductions in workforce in certain facilities worldwide. These charges were recorded pursuant to plans developed and approved by management.

The following table summarizes the 2012 activity in the accrued restructuring balances related to the various restructuring activities initiated prior to June 30, 2012:

(in thousands)	Balance as of December 31, 2011	Restructuring Charges	Cash Payment	Foreign Exchange Adjustments	Balance as of June 30, 2012
2012 Restructuring:					
Severance	\$ —	\$ 217	\$ (160)	\$ —	\$ 57
Lease facility costs	—	88	(39)	—	49
	—	305	(199)	—	106
2011 Restructuring:					
Severance	189	316	(966)	15	(446)
Lease facility costs	1,664	(452)	(397)	(18)	797
Other exit costs	—	17	(17)	—	—
	1,853	(119)	(1,380)	(3)	351
2010 Restructuring:					
Severance	34	(4)	(30)	—	—
Other exit costs	20	68	(72)	—	16
	54	64	(102)	—	16
2009 Restructuring:					

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-Q

Lease facility costs	402	—	(333)	—	69
	402	—	(333)	—	69
Total	\$ 2,309	\$ 250	\$ (2,014)	\$ (3)	\$ 542

17

Note 13 – Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-tier fair value hierarchy of inputs is employed to determine fair value measurements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2 inputs are observable prices that are not quoted on active exchanges, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable. Level 3 inputs are unobservable inputs employed for measuring the fair value of assets or liabilities. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The carrying amounts of cash equivalents, accounts receivable, accrued liabilities, accounts payable and capital lease obligations approximate fair value. As of June 30, 2012, \$19.0 million (par value) of long-term investments were recorded at fair value. The long-term investments consist of auction rate securities, primarily secured by guaranteed student loans backed by a U.S. government agency, and are classified as available-for-sale. These investments are of a high credit quality with many having AAA type credit ratings because of the government agency guarantee and other insurance. Auction rate securities are adjustable rate debt instruments whose interest rates were intended to reset every 7 to 35 days through an auction process. Overall changes in the global credit and capital markets led to failed auctions for these securities beginning in early 2008. These failed auctions, in addition to overall global economic conditions, impacted the liquidity of these investments and resulted in the Company continuing to hold these securities beyond their typical auction reset dates. The market for these types of securities remains illiquid as of June 30, 2012. These securities are classified as long-term investments, and the contractual maturity of these securities is over ten years.

These long-term investments were valued using Level 3 inputs as of June 30, 2012, as the assets were subject to valuation using significant unobservable inputs. The Company estimated the fair value of each security with the assistance of an independent valuation firm using a discounted cash flow model to calculate the present value of projected cash flows based on a number of inputs and assumptions, including the security structure and terms, the current market conditions and the related impact on the expected weighted-average life, interest rate estimates and default risk of the securities.

As of June 30, 2012, the Company has recorded an unrealized loss of \$3.2 million on the long-term investments based upon this valuation. This unrealized loss reduced the fair value of the Company's auction rate securities as of June 30, 2012 to \$15.7 million. These investments have been in an unrealized loss position for greater than 12 months. During the six months ended June 30, 2012 and 2011, the Company recorded unrealized gains of \$0.1 million and \$0.8 million, respectively, on its long-term investments.

The Company conducts periodic reviews to identify and evaluate each investment that has an unrealized loss. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Due to the unrealized losses on the auction rate securities held, the Company has assessed whether the calculated impairment

is other-than-temporary. In performing this assessment, even though the Company has no intention to sell the securities before the amortized cost basis is recovered and believes it is more-likely-than-not that it will not be required to sell the securities prior to recovery, the Company has performed additional analyses to determine if a portion of the unrealized loss is considered a credit loss. A credit loss would be identified as the amount of the principal cash flows not expected to be received over the remaining term of the security as projected using the Company's best estimates. The Company has assessed each security for credit impairment, taking into account factors such as (i) the length of time and the extent to which fair value has been below cost; (ii) activity in the market of the issuer which may indicate adverse credit conditions; (iii) the payment structure of the security; and (iv) the failure of the issuer of the security to make scheduled payments. The Company used an independent valuation firm to assist in making these assessments.

Based on these assessments, the Company has determined that there is no credit loss associated with its auction rate securities as of June 30, 2012, as shown by the cash flows expected to be received over the remaining life of the securities.

The following table provides a reconciliation of the beginning and ending balance of the Company's auction rate securities classified as long-term investments measured at fair value using significant unobservable inputs (Level 3 inputs):

(in thousands)	2012	2011
Balance as of January 1	\$24,673	\$35,297
Net unrealized gains included in other comprehensive loss	81	754
Sales of investments at par value	(9,025)	(7,150)
Balance as of June 30	\$15,729	\$28,901
Unrealized losses still held as of June 30	\$3,246	\$3,099

The cumulative unrealized loss is included as a component of accumulated other comprehensive loss within shareholders' equity in the accompanying consolidated balance sheet. As of June 30, 2012, there were no long-term investments measured at fair value using Level 1 or Level 2 inputs. All income generated from these investments is recorded as interest income.

Note 14 – Thailand Flood Related Charges

The Company's facilities in Ayudhaya, Thailand were flooded and remained closed from October 13, 2011 to December 20, 2011. As a result of the flooding and temporary closing of these facilities, the Company recognized estimated property losses of \$46.2 million and incurred \$13.4 million of flood related costs during the three months ended December 31, 2011. During the six months ended June 30, 2012, the Company recognized additional Thailand flood related charges totaling \$14.9 million. These charges consist of costs directly attributable to the Thailand flood which are expected to be recovered from insurance. The Company carried property and business interruption insurance with a combined limit for real and personal property as well as business interruption insurance of approximately \$300 million. As such, the Company recorded estimated recoveries from insurance for these property losses and flood related costs totaling \$56.2 million during the three months ended December 31, 2011. During the six months ended June 30, 2012, the Company reduced the estimated property losses and the corresponding estimated recoveries from insurance for these property losses by \$5.0 million. During the six months ended June 30, 2012, the Company received \$20.0 million of insurance proceeds which included \$10.0 million for Thailand property losses and \$10.0 million for other flood related costs. As of June 30, 2012, the Company has a receivable for estimated unreimbursed recoveries from insurance for these property losses and flood related costs totaling \$31.2 million. On August 1, 2012, the Company collected \$16.6 million of this insurance receivable, and the Company believes it will collect the remaining balance in the third quarter of 2012. However, there may be a substantial delay between the

incurrence of losses and the recovery under its insurance policies. As a result of the flooding, the Company has been unable to renew or otherwise obtain adequate cost-effective flood insurance to cover assets at its facilities in Thailand. The Company continues to investigate all flood risk-mitigation alternatives in Thailand, including but not limited to coverage through private insurance and the Thailand Disaster Insurance Scheme. In the event the Company was to experience a significant uninsured loss in Thailand or elsewhere, it could have a material adverse effect on its business, financial condition and results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References in this report to “the Company,” “Benchmark,” “we,” or “us” mean Benchmark Electronics, Inc. together with its subsidiaries. The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as “anticipate,” “believe,” “intend,” “plan,” “projection,” “forecast,” “strategy,” “position,” “continue,” “estimate,” “expect,” “may,” “will,” or those terms or other variations of them or comparable terminology. In particular, statements, express or implied, concerning future operating results or the ability to generate sales, income or cash flow are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions, including those discussed under Part II, Item 1A of this report. The future results of our operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict. Undue reliance should not be placed on any forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto.

OVERVIEW

We are a worldwide provider of integrated manufacturing services. We provide our services to original equipment manufacturers (OEMs) of computers and related products for business enterprises, medical devices, industrial control equipment (which includes equipment for the aerospace and defense industry), testing and instrumentation products, and telecommunication equipment. The services that we provide are commonly referred to as electronics manufacturing services (EMS). We offer our customers comprehensive and integrated design and manufacturing services from initial product design to volume production, including direct order fulfillment and post deployment services. Our manufacturing and assembly operations include printed circuit boards and subsystem assembly, box build and systems integration, the process of integrating subsystems and, often, downloading and integrating software, to produce a fully configured product. Our precision technology manufacturing capabilities complement our proven electronic manufacturing expertise by providing further vertical integration of critical mechanical components. These capabilities include precision machining, advanced metal joining, and functional testing for multiple industries including medical, instrumentation, aerospace and semiconductor capital equipment. We also are able to provide specialized engineering services, including product design, printed circuit board layout, prototyping, and test development. We believe that we have developed strengths in the manufacturing process for large, complex, high-density printed circuit boards as well as the ability to manufacture high and low volume products in lower cost regions such as Brazil, China, Malaysia, Mexico, Romania and Thailand.

We believe that our global manufacturing presence increases our ability to be responsive to our customers' needs by providing accelerated time-to-market and time-to-volume production of high quality products. These capabilities enable us to build stronger strategic relationships with our customers and to become a more integral part of their operations. Our customers face challenges in planning, procuring and managing their inventories efficiently due to customer demand fluctuations, product design changes, short product life cycles and component price fluctuations. We employ production management systems to manage their procurement and manufacturing processes in an efficient and cost-effective manner so that, where possible, components arrive on a just-in-time, as-and-when-needed basis. We are a significant purchaser of electronic components and other raw materials, and can capitalize on the economies of scale associated with our relationships with suppliers to negotiate price discounts, obtain components and other raw materials that are in short supply, and return excess components. Our expertise in supply chain management and our relationships with suppliers across the supply chain enables us to reduce our customers' cost of goods sold and inventory exposure.

We recognize revenue from the sale of manufactured products built to customer specifications and excess inventory when title and risk of ownership have passed, the price to the buyer is fixed and determinable and collectibility is reasonably assured, which generally is when the goods are shipped. Revenue from design, development and engineering services is recognized when the services are performed and collectibility is reasonably certain. Such services provided under fixed price contracts are accounted for using the percentage of completion method. We generally assume no significant obligations after product shipment as we typically warrant workmanship only. Therefore, our warranty provisions are generally not significant.

Our cost of sales includes the cost of materials, electronic components and other items that comprise the products we manufacture, the cost of labor and manufacturing overhead and adjustments for excess and obsolete inventory. Our procurement of materials for production requires us to commit significant working capital to our operations and to manage the purchasing, receiving, inspection and stocking of materials. Although we bear the risk of fluctuations in the cost of materials and excess scrap, we periodically negotiate cost of materials adjustments with our customers. Our gross margin for any product depends on the sales price, the proportionate mix of the cost of materials in the product and the cost of labor and manufacturing overhead allocated to the product. We typically have the potential to realize higher gross margins on products where the proportionate level of labor and manufacturing overhead is greater than that of materials. As we gain experience in manufacturing a product, we usually achieve increased efficiencies, which result in lower labor and manufacturing overhead costs for that product and higher gross margins. Our operating results are impacted by the level of capacity utilization of manufacturing facilities. Operating income margins have generally improved during periods of high production volume and high capacity utilization. During periods of low production volume, we generally have idle capacity and reduced operating income margins.

Severe Flooding in Thailand and Suspension of Thailand Operations

Our facilities in Ayudhaya, Thailand were flooded and remained closed from October 13, 2011 to December 20, 2011. As a result of the flooding and temporary closing of our facilities, we recognized estimated property losses of \$46.2 million and incurred \$13.4 million of flood related costs during the three months ended December 31, 2011. During the six months ended June 30, 2012, we recognized additional other flood related charges totaling \$14.9 million. These charges consist of costs directly attributable to the Thailand flood which are expected to be recovered from insurance. We carried property and business interruption insurance that we believe was appropriate and adequate for this situation. Our combined limit for real and personal property as well as business interruption insurance was approximately \$300 million. As such, we recorded estimated recoveries from insurance for these property losses and flood related costs totaling \$56.2 million during the three months ended December 31, 2011. During the six months ended June 30, 2012, we reduced the estimated property losses by \$5.0 million and the corresponding estimated recoveries from insurance for these property losses by \$5.0 million. During the six months ended June 30, 2012, we received \$20.0 million of insurance proceeds which included \$10.0 million for Thailand property losses and \$10.0 million for other flood related costs. As of June 30, 2012, we have a receivable for estimated unreimbursed recoveries from insurance for these property losses and flood related costs totaling \$31.2 million. On August 1, 2012, we collected \$16.6 million of this insurance receivable, and we believe we will collect the remaining balance in the third quarter of 2012. As a result of the flooding, we have been unable to renew or otherwise obtain adequate cost-effective flood insurance to cover assets at our facilities in Thailand. We continue to investigate all flood risk-mitigation alternatives in Thailand, including but not limited to coverage through private insurance and the Thailand Disaster Insurance Scheme. We maintain insurance on all our properties and operations—including our assets in Thailand—for risks and in amounts customary in the industry. Such insurance includes general liability, property & casualty, and

directors & officers liability coverage. Not all losses are insured, and we retain certain risks of loss through deductibles, limits and self-retentions. In the event we were to experience a significant uninsured loss in Thailand or elsewhere, it could have a material adverse effect on our business, financial condition and results of operations.

The Ayudhaya, Thailand facilities are among our largest, generating approximately 24% of our revenue in 2011 prior to the flood. As a result, the impact on revenue and operations was significant in the fourth quarter of 2011. The recovery effort from the Thailand flood is ongoing and we believe our operations will be negatively impacted by the effects of the flood through the rest of 2012. We are managing the situation on an ongoing basis and are working to mitigate the impact to us and our customers.

We and our customers implemented contingency and recovery plans as a result of the flood to help enable us to meet customer needs. As part of those plans, we restarted production at our Korat, Thailand facility in November 2011, and we shifted production from our Ayudhaya facilities to our various other sites around the globe. As a result of the capital purchases associated with our contingency and recovery plans, we have incurred approximately \$17 million in capital expenditures and expect to incur up to \$11 million in the remainder of 2012.

Summary of Results

Sales for the three months ended June 30, 2012 increased 8% to \$630.0 million compared to \$585.5 million for the same period of 2011. During the three months ended June 30, 2012, sales to customers in the computers and related products for business enterprises industry, telecommunication equipment industry, and medical devices industry increased 19%, 18% and 8%, respectively, from 2011. In the second quarter of 2012, these increases were partially offset by a 19% decrease in sales to customers in the testing and instrumentation products industry and a 2% decrease in sales to customers in the industrial control equipment industry.

Our future sales are dependent on the success of our customers, some of which operate in businesses associated with rapid technological change and consequent product obsolescence. Developments adverse to our major customers or their products, or the failure of a major customer to pay for components or services, could have an adverse effect on us. A substantial percentage of our sales have been made to a small number of customers, and the loss of a major customer, if not replaced, would adversely affect us. Sales to our ten largest customers represented 58% and 53% of our sales in the three months ended June 30, 2012 and 2011, respectively. Our largest customer represented 21% of our sales during the three months ended June 30, 2012.

Our gross profit as a percentage of sales increased to 7.3% for the three months ended June 30, 2012 from 6.4% in the same period of 2011 primarily due to an increase in sales, partially driven by new programs, and our continued focus on cost controls. We experience fluctuations in gross profit from period to period. Different programs contribute different gross profits depending on factors such as the types of services involved, location of production, size of the program, complexity of the product, and level of material costs associated with the various products. Moreover, new programs can contribute relatively less to our gross profit in their early stages when manufacturing volumes are usually lower, resulting in inefficiencies and unabsorbed manufacturing overhead costs. In addition, a number of our new and higher volume programs remain subject to competitive constraints that could exert downward pressure on our margins. During periods of low production volume, we generally have idle capacity and reduced gross profit.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Our significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to accounts receivable, inventories, insurance receivable, income taxes, long-lived assets, stock-based compensation and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Accounts Receivable

Our accounts receivable balance is recorded net of allowances for amounts not expected to be collected from our customers. Because our accounts receivable are typically unsecured, we periodically evaluate the collectibility of our accounts based on a combination of factors, including a particular customer's ability to pay as well as the age of the receivables. To evaluate a specific customer's ability to pay, we analyze financial statements, payment history, third-party credit analysis reports and various information or disclosures by the customer or other publicly available information. In cases where the evidence suggests a customer may not be able to satisfy its obligation to us, we set up a specific allowance in an amount we determine appropriate for the perceived risk. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

We purchase inventory based on forecasted demand and record inventory at the lower of cost or market. We reserve for estimated obsolescence as necessary in an amount equal to the difference between the cost of inventory and

estimated market value based on assumptions of future demands and market conditions. We evaluate our inventory valuation on a quarterly basis based on current and forecasted usage and the latest forecasts of product demand and production requirements from our customers. Customers frequently make changes to their forecasts, requiring us to make changes to our inventory purchases, commitments, and production scheduling and may require us to cancel open purchase commitments with our vendors. This process may lead to on-hand inventory quantities and on-order purchase commitments that are in excess of our customers' revised needs, or parts that become obsolete before use in production. In addition, shifting production from Ayudhaya, Thailand to Korat, Thailand and various other sites around the globe as a result of the severe flooding in Thailand may lead to on-hand inventory quantities in excess of our customers' needs. We record inventory reserves on excess and obsolete inventory. These reserves are established on inventory which we have determined our customers are not responsible for or on inventory which we believe our customers will be unable to fulfill their obligation to ultimately purchase. If actual market conditions are less favorable than those we projected, additional inventory write-downs may be required.

Income Taxes

We estimate our income tax provision in each of the jurisdictions in which we operate, including estimating exposures related to uncertain tax positions. We must also make judgments regarding the ability to realize the deferred tax assets. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to subsequently determine that we would be able to realize our deferred tax assets in excess of our net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. Similarly, should we determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the valuation allowance would reduce income in the period such determination was made.

During the second half of 2011, we evaluated the recoverability of our deferred tax assets using the criteria described above and concluded that our projected future taxable income in the U.S. is sufficient to utilize additional net operating loss carryforwards and other deferred tax assets. As a result, we reduced our valuation allowance by \$19.1 million in the U.S. and, at the same time, decreased our valuation allowance by \$1.5 million in foreign jurisdictions.

We are subject to examination by tax authorities for varying periods in various U.S. and foreign tax jurisdictions. During the course of such examinations, disputes may occur as to matters of fact and/or law. In most tax jurisdictions the passage of time without examination will result in the expiration of applicable statutes of limitations, thereby precluding the taxing authority from conducting an examination of the tax period(s) for which such statute of limitations has expired. We believe that we have adequately provided for our tax liabilities.

Our subsidiary in Thailand has filed for a refund of \$8.2 million of previously paid income taxes, which is included in other assets. The Thailand tax authorities are currently conducting an examination of the applicable filings. During 2011, we recorded a reserve for uncertain tax benefits of \$7.1 million against this receivable.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge would be recognized by the amount that the carrying amount of the asset exceeds the fair value of the asset.

Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss would be recognized to the extent that the carrying amount exceeds the asset's fair value. Goodwill is measured at the reporting unit level, which we have determined to be consistent with our operating segments as defined in Note 8 to the Condensed Consolidated Financial Statements in Item 1 of this report, by determining the fair values of the reporting units and comparing those fair values to the carrying values, including goodwill, of the reporting unit. We completed the annual impairment test during the fourth quarter of 2011 and determined that no impairment existed as of December 31, 2011. We estimated that the fair value of our Asia business segment exceeded its carrying amount by approximately 25% at the time our 2011 impairment test was performed. As of June 30, 2012, we had goodwill associated with our Asia business segment of approximately \$37.9 million. Circumstances that may lead to future impairment of goodwill include unforeseen decreases in future performance or industry demand, the restructuring of our operations as a result of a change in our business strategy or other factors.

Stock-Based Compensation

We recognize stock-based compensation expense in our consolidated statements of income. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Option-pricing models require the input of subjective assumptions, including the expected life of the option and the expected stock price volatility. Judgment is also required in estimating the number of stock-based awards that are expected to vest as a result of satisfaction of time-based vesting schedules. If actual results or future changes in estimates differ significantly from our current estimates, stock-based compensation could increase or decrease. For restricted stock unit awards with performance conditions, compensation expense is initially based on the target number of shares that would vest if 100% of the target performance goal is achieved, which was considered the probable outcome on the grant date. Throughout the service period, management monitors the probability of achievement of the performance condition. If it becomes probable, based on our expectation of performance during the measurement period, that more or less than the previous estimate of the awarded shares will vest, an adjustment to stock-based compensation expense will be recognized as a change in accounting estimate. See Note 2 to the Condensed Consolidated Financial Statements in Item 1 of this report.

Recently Enacted Accounting Principles

See Note 11 to the Condensed Consolidated Financial Statements for a discussion of recently enacted accounting principles.

RESULTS OF OPERATIONS

The following table presents the percentage relationship that certain items in our Condensed Consolidated Statements of Income bear to sales for the periods indicated. The financial information and the discussion below should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto in Item 1 of this report.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	92.7	93.6	92.9	93.3
Gross profit	7.3	6.4	7.1	6.7
Selling, general and administrative expenses	3.6	3.9	3.7	4.0
Restructuring charges	0.0	0.1	0.0	0.0
Thailand flood related charges	0.7	—	1.2	—
Income from operations	2.9	2.4	2.1	2.7
Other income (expense), net	(0.1)	0.1	(0.0)	0.0
Income before income taxes	2.8	2.6	2.1	2.7
Income tax expense	0.7	0.1	0.5	0.1
Net income	2.2 %	2.5 %	1.6 %	2.6 %

Sales

Sales for the second quarter of 2012 were \$630.0 million, an 8% increase from sales of \$585.5 million for the same quarter in 2011. Sales for the six months ended June 30, 2012 were \$1.2 billion, a 9% increase from sales of \$1.1 billion for the same period in 2011. The following table sets forth, for the periods indicated, the percentages of our sales by industry sector.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Computers and related products for business enterprises	31 %	28 %	31 %	28 %
Industrial control equipment	26	28	26	28
Telecommunication equipment	25	23	25	23
Medical devices	10	10	10	9

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-Q

Testing and instrumentation products	8	11	8	12
	100 %	100 %	100 %	100 %

During the six months ended June 30, 2012, sales to customers in the computers and related products for business enterprises industry, telecommunication equipment industry, medical devices and industrial control equipment industry increased 22%, 19%, 10% and 3%, respectively, from the same period in 2011. In the first six months of 2012, these increases were partially offset by a 27% decrease in sales to customers in the testing and instrumentation products industry.

Our future sales are dependent on the success of our customers, some of which operate in businesses associated with rapid technological change and consequent product obsolescence. Developments adverse to our major customers or their products, or the failure of a major customer to pay for components or services, could have an adverse effect on us. A substantial percentage of our sales have been made to a small number of customers, and the loss of a major customer, if not replaced, would adversely affect us. Sales to our ten largest customers represented 58% and 53% of our sales in the six months ended June 30, 2012 and 2011, respectively. Our largest customer represented 19% of our sales during the six months ended June 30, 2012.

Our international operations are subject to the risks of doing business abroad. See Part II, Item 1A of this report for factors pertaining to our international sales and fluctuations in the exchange rates of foreign currency and for further discussion of potential adverse effects in operating results associated with the risks of doing business abroad. During the first six months of 2012 and 2011, 50% and 52%, respectively, of our sales were from our international operations.

Gross Profit

Gross profit increased 22% to \$46.0 million for the three months ended June 30, 2012 from \$37.8 million in the same period of 2011 and increased 15% to \$86.5 million for the six months ended June 30, 2012 from \$75.4 million in the same period of 2011 due primarily to an increase in sales. Gross profit as a percentage of sales increased to 7.3% during the second quarter of 2012 from 6.4% in the second quarter of 2011 and increased to 7.1% during the first six months of 2012 from 6.7% in 2011 primarily due to an increase in sales, partially driven by new programs, and our continued focus on cost controls. We experience fluctuations in gross profit from period to period. Different programs contribute different gross profits depending on factors such as the types of services involved, location of production, size of the program, complexity of the product and level of material costs associated with the various products. Moreover, new programs can contribute relatively less to our gross profit in their early stages when manufacturing volumes are usually lower, resulting in inefficiencies and under-absorbed manufacturing overhead costs. In addition, a number of our new and higher volume programs remain subject to competitive constraints that could exert downward pressure on our margins. During periods of low production volume, we generally have idle capacity and reduced gross profit.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 1% to \$22.8 million in the second quarter of 2012 from \$23.1 million in the second quarter of 2011. Selling, general and administrative expenses increased 1% to \$45.3 million in the first six months of 2012 from \$44.9 million in the same period of 2011 primarily due to higher variable compensation expenses. Selling, general and administrative expenses, as a percentage of sales, were 3.6% and 3.9%, respectively, for the second quarters of 2012 and 2011, and 3.7% and 4.0%, respectively, for the first six months of 2012 and 2011. The decrease in selling, general and administrative expenses as a percentage of sales is primarily associated with the impact of higher sales volumes in 2012.

Thailand Flood Related Charges

We recognized \$14.9 million in Thailand flood related charges during the first six months of 2012. These charges consist of costs directly attributable to the Thailand flood, which are expected to be recovered from insurance in subsequent periods. See Note 14 to the Condensed Consolidated Financial Statements in Item 1 of this report.

Income Tax Expense

Income tax expense of \$6.8 million represented an effective tax rate of 26.2% for the six months ended June 30, 2012, compared with \$1.2 million that represented an effective tax rate of 4.0% for the same period in 2011. In 2012, we recorded a \$0.6 million discrete tax expense related to changes in tax rates in foreign jurisdictions. In 2011, we recorded a \$3.7 million tax benefit as a result of a decrease in valuation allowances on deferred tax assets and a \$0.6 million discrete tax benefit as a result of a 2010 tax rate incentive received by one of our China subsidiaries during the first quarter of 2011. Excluding these tax items, the effective tax rate would have been 23.6% in 2012 compared to 18.3% in 2011. This increase in the effective tax rate is primarily related to a shift in the proportion of the consolidated taxable income earned in jurisdictions taxed at higher rates. See Note 7 to the Condensed Consolidated Financial Statements in Item 1 of this report.

Net Income

We reported net income of \$19.2 million, or diluted earnings per share of \$0.33 for the first six months of 2012, compared with net income of \$29.2 million, or diluted earnings per share of \$0.48 for the same period of 2011. The net decrease of \$10.0 million from 2011 was primarily due to the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our growth and operations through funds generated from operations and proceeds from the sale and maturity of our investments. Cash and cash equivalents totaled \$280.8 million at June 30, 2012 and \$283.9 million at December 31, 2011, of which \$176.0 million at June 30, 2012 and \$195.9 million at December 31, 2011 was held outside the U.S. in various foreign subsidiaries. Substantially all of the amounts held outside of the U.S. are intended to be permanently reinvested in foreign operations. Under current tax laws and regulations, if cash and cash equivalents held outside the U.S. were to be distributed to the U.S. in the form of dividends or otherwise, we would be subject to additional U.S. income taxes and foreign withholding taxes.

Cash provided by operating activities was \$17.6 million for the six months ended June 30, 2012. The cash provided by operations during 2012 consisted primarily of \$19.2 million of net income adjusted for \$17.4 million of depreciation and amortization, and a \$14.7 million decrease in prepaid expenses and other assets, offset by a \$33.5 million increase in accounts receivable. Working capital was \$857.2 million at June 30, 2012 and \$849.0 million at December 31, 2011.

We are continuing the practice of purchasing components only after customer orders or forecasts are received, which mitigates, but does not eliminate, the risk of loss on inventories. Supplies of electronic components and other

materials used in operations are subject to industry-wide shortages. In certain instances, suppliers may allocate available quantities to us. If shortages of these components and other material supplies used in operations occur, vendors may not ship the quantities we need for production and we may be forced to delay shipments, which would increase backorders and therefore impact cash flows.

Cash used in investing activities was \$1.7 million for the six months ended June 30, 2012 primarily due to the purchases of additional property, plant and equipment totaling \$20.4 million, offset by Thailand flood property insurance proceeds totaling \$10.0 million and proceeds from the sale of long-term investments totaling \$9.0 million. Purchases of additional property, plant and equipment were primarily of machinery and equipment in the Americas and Asia.

Cash used in financing activities was \$21.2 million for the six months ended June 30, 2012. Share repurchases totaled \$23.3 million, and we received \$2.3 million from the exercise of stock options.

Under the terms of a credit agreement (the U.S. Credit Agreement), we had a \$100.0 million five-year revolving credit facility for general corporate purposes. The U.S. Credit Agreement included an accordion feature under which total commitments under the facility may be increased by an additional \$100 million, subject to satisfaction of certain conditions and lender approval. As of both June 30, 2012 and December 31, 2011, we had no borrowings outstanding under the U.S. Credit Agreement, and \$100.0 million was available for future borrowings.

On July 30, 2012, the Company entered into a \$200 million five-year revolving credit facility to be used for general corporate purposes. Upon entering into this new revolving credit facility, the Company terminated the U.S. Credit Agreement. This new credit facility includes an accordion feature under which total commitments under the facility may be increased by an additional \$100 million, subject to satisfaction of certain conditions and lender approval.

Interest on outstanding borrowings under this new revolving credit facility will be payable quarterly, at our option, at LIBOR plus 1.75% to 2.75% or a prime rate plus 0.75% to 1.75%, based upon our leverage ratio as specified in the new revolving credit facility. A commitment fee of 0.30% to 0.40% per annum (based upon our liquidity ratio as specified in the new revolving credit facility) on the unused portion of this new revolving credit line will be payable quarterly in arrears. The new revolving credit facility is secured by our domestic inventory and accounts receivable, 100% of the stock of our domestic subsidiaries and 65% of the voting capital stock of each direct foreign subsidiary and substantially all of our and our domestic subsidiaries' other tangible and intangible assets. The new revolving credit agreement contains customary financial covenants as to working capital, debt leverage, fixed charges and consolidated net worth, and restricts our ability to incur additional debt, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. As of August 7, 2012 there were no borrowings outstanding under the new revolving credit facility and \$200 million was available for future borrowings.

Our Thailand subsidiary has a multi-purpose credit facility with Kasikornbank Public Company Limited (the Thai Credit Facility) that provides for approximately \$11.0 million (350 million Thai baht) in working capital availability. The Thai Credit Facility is secured by land and buildings in Thailand. The availability of funds under the Thai Credit Facility is reviewed annually and is currently accessible through October 2012. As of both June 30, 2012 and December 31, 2011, our Thailand subsidiary had no working capital borrowings outstanding.

Our operations, and the operations of businesses we acquire, are subject to certain foreign, federal, state and local regulatory requirements relating to environmental, waste management, health and safety matters. We believe we operate in substantial compliance with all applicable requirements and we seek to ensure that newly acquired businesses comply or will comply substantially with applicable requirements. To date, the costs of compliance and workplace and environmental remediation have not been material to us. However, material costs and liabilities may arise from these requirements or from new, modified or more stringent requirements in the future. In addition, our

past, current and future operations, and the operations of businesses we have or may acquire, may give rise to claims of exposure by employees or the public, or to other claims or liabilities relating to environmental, waste management or health and safety concerns.

As of June 30, 2012, we had cash and cash equivalents totaling \$280.8 million and \$100.0 million available for borrowings under the U.S. Credit Agreement. We expect that our cash position will continue to be impacted by the expenditures related to recovery from the flooding of our facilities in Ayudhaya, Thailand. During the next twelve months, we believe our capital expenditures will be approximately \$30 million to \$35 million, principally for machinery and equipment to support our ongoing business around the globe, excluding capital expenditures for the recovery and reinstatement of our Thailand facilities which could be up to \$11 million.

On March 3, 2010, our Board of Directors approved the repurchase of up to \$100 million of our outstanding common shares (the 2010 Repurchase Program). As of June 30, 2012, we have \$11.8 million remaining under the 2010 Repurchase Program to repurchase additional shares. On June 13, 2012, our Board of Directors approved the additional repurchase of up to \$100 million of our outstanding common shares (the 2012 Repurchase Program). We are under no commitment or obligation to repurchase any particular amount of common shares. Management believes that our existing cash balances and funds generated from operations will be sufficient to permit us to meet our liquidity requirements over the next twelve months. Management further believes that our ongoing cash flows from operations and any borrowings we may incur under our credit facilities will enable us to meet operating cash requirements in future years. Should we desire to consummate significant acquisition opportunities, our capital needs would increase and could possibly result in our need to increase available borrowings under our revolving credit facility or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable

CONTRACTUAL OBLIGATIONS

We have certain contractual obligations for operating leases that were summarized in a table of Contractual Obligations in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes to our contractual obligations, outside of the ordinary course of our business, since December 31, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2012, we did not have any significant off-balance sheet arrangements.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Our international sales are a significant portion of our net sales; we are exposed to risks associated with operating internationally, including the following:

- Foreign currency exchange risk;
- Import and export duties, taxes and regulatory changes;
- Inflationary economies or currencies; and
- Economic and political instability.

Additionally, some of our operations are in developing countries. Certain events, including natural disasters, can impact the infrastructure of a developing country more severely than they would impact the infrastructure of a developed country. A developing country can also take longer to recover from such events, which could lead to delays in our ability to resume full operations.

We do not use derivative financial instruments for speculative purposes. As of June 30, 2012, we did not have any foreign currency hedges. In the future, significant transactions involving our international operations may cause us to consider engaging in hedging transactions to attempt to mitigate our exposure to fluctuations in foreign exchange rates. These exposures are primarily, but not limited to, vendor payments and intercompany balances in currencies other than the currency in which our foreign operations primarily generate and expend cash. Our international operations in some instances operate in a natural hedge because both operating expenses and a portion of sales are denominated in local currency. Our sales are substantially denominated in U.S. dollars. Our foreign currency cash flows are generated in certain Asian and European countries, Mexico and Brazil.

We are also exposed to market risk for changes in interest rates, a portion of which relates to our invested cash balances. We do not use derivative financial instruments in our investing activities. We place cash and cash equivalents and investments with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by generally investing in investment grade securities. As of June 30, 2012, the outstanding amount in the long-term investment portfolio included \$19.0 million (par value) of auction rate securities with an average annual return of approximately 0.37%.

Item 4 – Controls and Procedures

Our management has evaluated, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and

15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our CEO and CFO have concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting that occurred during the fiscal period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our CEO and CFO, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Exhibits 31.1 and 31.2 are the Certifications of the CEO and the CFO, respectively. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the “Section 302 Certifications”). This Item is the information concerning the Evaluation referred to in the Section 302 Certifications, and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position or results of operations.

Item 1A. Risk Factors.

The risk factor set forth below is in addition to the risk factors set forth in Part I, Item 1A in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

The risk of uninsured losses will be borne by Benchmark.

As a result of the massive flooding in the Fall of 2011, we have been unable to renew or otherwise obtain adequate cost-effective flood insurance to cover assets at our facilities in Thailand. We continue to investigate all flood risk-mitigation alternatives in Thailand, including but not limited to coverage through private insurance and the Thailand Disaster Insurance Scheme. We maintain insurance on all our properties and operations—including our assets in Thailand—for risks and in amounts customary in the industry. Such insurance includes general liability, property & casualty, and directors & officers liability coverage. Not all losses are insured, and we retain certain risks of loss through deductibles, limits and self-retentions. In the event we were to experience a significant uninsured loss in Thailand or elsewhere, it could have a material adverse effect on our business, financial condition and results of operations.

Item 2. Unregistered Sales Of Equity Securities And Use Of Proceeds.

(c) The following table provides information about the Company repurchases of its equity securities that are registered pursuant to Section 12 of the Exchange Act during the quarter ended June 30, 2012, at a total cost of \$19.4 million:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased ⁽¹⁾	(b) Average Price Paid per Share (or Unit) ⁽²⁾	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ⁽³⁾
April 1 to 30, 2012	270,000	15.52	270,000	\$27.0 million
May 1 to 31, 2012	375,809	14.47	375,809	\$21.6 million
June 1 to 30, 2012	713,760	13.59	713,760	\$111.8 million
Total	1,359,569	14.22	1,359,569	

⁽¹⁾ All share repurchases were made on the open market.

⁽²⁾ Average price paid per share is calculated on a settlement basis and excludes commission.

⁽³⁾ On March 3, 2010, the Board of Directors of the Company approved the repurchase of up to \$100 million of the Company's outstanding common shares (the 2010 Repurchase Program). On June 13, 2012, the Board of Directors approved the additional repurchase of up to \$100 million of our outstanding common shares (the 2012 Repurchase Program). Share purchases may be made in the open market, in privately negotiated transactions or block transactions, at the discretion of the Company's management and as market conditions warrant. Purchases will be funded from available cash and may be commenced, suspended or discontinued at any time without prior notice. Shares repurchased under the program will be retired.

During the six months ended June 30, 2012, the Company repurchased a total of 1.6 million common shares for \$23.3 million at an average price of \$14.40 per share. All share purchases were made in the open market and the shares repurchased through June 30, 2012 were retired.

Item 6. Exhibits.

- 31.1 Section 302 Certification of Chief Executive Officer
- 31.2 Section 302 Certification of Chief Financial Officer
- 32.1 Section 1350 Certification of Chief Executive Officer
- 32.2 Section 1350 Certification of Chief Financial Officer
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on August 7, 2012.

BENCHMARK
ELECTRONICS, INC.
(Registrant)

By: /s/ Gayla J. Delly
Gayla J. Delly
Chief Executive Officer
(Principal Executive
Officer)

By: /s/ Donald F. Adam
Donald F. Adam
Chief Financial Officer
(Principal Financial
Officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.