

II-VI INC
Form 10-Q
May 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2016

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: 0-16195

II-VI INCORPORATED

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	25-1214948
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

375 Saxonburg Boulevard	
Saxonburg, PA	16056
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 724-352-4455

N/A

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At May 4, 2016, 61,688,986 shares of Common Stock, no par value, of the registrant were outstanding.

II-VI INCORPORATED

INDEX

	Page No.
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets – March 31, 2016 and June 30, 2015 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Earnings – Three and nine months ended March 31, 2016 and 2015 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income – Three and nine months ended March 31, 2016 and 2015 (Unaudited)</u>	6
<u>Condensed Consolidated Statements of Cash Flows – Nine months ended March 31, 2016 and 2015 (Unaudited)</u>	7
<u>Condensed Consolidated Statement of Shareholders' Equity – Nine months ended March 31, 2016 (Unaudited)</u>	8
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
Item 4. <u>Controls and Procedures</u>	31
<u>PART II - OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	31
Item 1A. <u>Risk Factors</u>	32
Item 2. <u>Issuer Purchases of Equity Securities</u>	32
Item 6. <u>Exhibits</u>	33

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

II-VI Incorporated and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(\$000)

	March 31, 2016	June 30, 2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 187,373	\$ 173,634
Accounts receivable - less allowance for doubtful accounts of \$1,715 at March 31, 2016 and \$1,048 at June 30, 2015	148,648	140,772
Inventories	181,788	164,388
Deferred income taxes	-	13,260
Prepaid and refundable income taxes	7,650	6,881
Prepaid and other current assets	14,927	14,033
Total Current Assets	540,386	512,968
Property, plant & equipment, net	253,142	203,812
Goodwill	239,337	195,894
Other intangible assets, net	156,253	122,462
Investment	12,567	11,914
Deferred income taxes	11,406	2,210
Other assets	9,304	8,904
Total Assets	\$ 1,222,395	\$ 1,058,164
Liabilities and Shareholders' Equity		
Current Liabilities		
Current portion of long-term debt	\$ 20,000	\$ 20,000
Accounts payable	47,545	45,275
Accrued compensation and benefits	45,154	39,310
Accrued income taxes payable	7,729	9,310
Deferred income taxes	-	685
Other accrued liabilities	27,468	24,576
Total Current Liabilities	147,896	139,156
Long-term debt	242,871	155,957
Deferred income taxes	21,195	7,105
Other liabilities	32,240	26,865
Total Liabilities	444,202	329,083
Shareholders' Equity		
Preferred stock, no par value; authorized - 5,000,000 shares; none issued	-	-
Common stock, no par value; authorized - 300,000,000 shares; issued - 72,672,701 shares at March 31, 2016; 71,779,704 shares at June 30, 2015	242,033	226,609
Accumulated other comprehensive income (loss)	(312)	8,665
Retained earnings	638,445	587,302

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	880,166	822,576
Treasury stock, at cost - 11,069,029 shares at March 31, 2016 and 10,565,209 shares at June 30, 2015	(101,973)	(93,495)
Total Shareholders' Equity	778,193	729,081
Total Liabilities and Shareholders' Equity	\$1,222,395	\$1,058,164

- See notes to condensed consolidated financial statements.

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Earnings (Unaudited)

(\$000 except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Domestic	\$74,884	\$68,233
International	130,221	114,476
Total Revenues	205,105	182,709
Costs, Expenses and Other Expense (Income)		
Cost of goods sold	127,436	116,984
Internal research and development	14,946	12,874
Selling, general and administrative	43,333	35,192
Interest expense	769	844
Other expense (income), net	1,257	1,534
Total Costs, Expenses and Other Expense (Income)	187,741	167,428
Earnings Before Income Taxes	17,364	15,281
Income Taxes	2,426	773
Net Earnings	\$14,938	\$14,508
Basic Earnings Per Share:	\$0.24	\$0.24
Diluted Earnings Per Share:	\$0.24	\$0.23

- See notes to condensed consolidated financial statements.

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Earnings (Unaudited)

(\$000 except per share data)

	Nine Months Ended March 31,	
	2016	2015
Revenues		
Domestic	\$219,812	\$198,909
International	365,934	346,369
Total Revenues	585,746	545,278
Costs, Expenses and Other Expense (Income)		
Cost of goods sold	365,544	348,676
Internal research and development	40,252	38,662
Selling, general and administrative	117,051	104,354
Interest expense	2,015	3,086
Other expense (income), net	(794)	(6,079)
Total Costs, Expenses and Other Expense (Income)	524,068	488,699
Earnings Before Income Taxes	61,678	56,579
Income Taxes	10,535	7,673
Net Earnings	\$51,143	\$48,906
Basic Earnings Per Share:	\$0.83	\$0.80
Diluted Earnings Per Share:	\$0.81	\$0.78

- See notes to condensed consolidated financial statements.

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(\$000)

	Three Months Ended March 31, 2016		Nine Months Ended March 31, 2016	
	2015		2015	
Net earnings	\$14,938	\$14,508	\$51,143	\$48,906
Other comprehensive income (loss):				
Foreign currency translation adjustments	4,553	(7,343)	(9,009)	(11,509)
Pension adjustment, net of taxes of (\$5) and \$9 for the three and nine months ended March 31, 2016, respectively, and (\$6) and \$101 for the three and nine months ended March 31, 2015, respectively	(17)	22	32	(380)
Comprehensive income	\$19,474	\$7,187	\$42,166	\$37,017

- See notes to condensed consolidated financial statements.

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(\$000)

	Nine Months Ended March 31,	
	2016	2015
Cash Flows from Operating Activities		
Net earnings	\$51,143	\$48,906
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	32,613	30,259
Amortization	9,172	8,983
Share-based compensation expense	8,516	8,586
Impairment of intangible assets	-	1,962
Loss on foreign currency remeasurements and transactions	586	1,892
Earnings from equity investment	(653)	(707)
Deferred income taxes	(1,193)	(2,104)
Excess tax benefits from share-based compensation expense	(96)	(404)
Increase (decrease) in cash excluding the effect of the purchase of acquisitions from changes in :		
Accounts receivable	(4,548)	(5,972)
Inventories	(8,950)	(5,721)
Accounts payable	(337)	(3,625)
Income taxes	(2,628)	677
Other operating net assets	(2,389)	2,971
Net cash provided by operating activities	81,236	85,703
Cash Flows from Investing Activities		
Additions to property, plant & equipment	(32,743)	(40,163)
Purchases of businesses, net of cash acquired	(118,657)	-
Proceeds from sale of property, plant & equipment	92	64
Net cash used in investing activities	(151,308)	(40,099)
Cash Flows from Financing Activities		
Proceeds from borrowings	125,200	3,000
Payments on borrowings	(38,500)	(56,500)
Purchases of treasury stock	(6,284)	(12,729)
Payments on holdback arrangements	-	(2,350)
Proceeds from exercises of stock options	7,444	4,058
Other financing activities	(1,887)	(610)
Net cash provided by (used in) financing activities	85,973	(65,131)
Effect of exchange rate changes on cash and cash equivalents	(2,162)	(430)
Net increase (decrease) in cash and cash equivalents	13,739	(19,957)
Cash and Cash Equivalents at Beginning of Period	173,634	174,660
Cash and Cash Equivalents at End of Period	\$187,373	\$154,703
Cash paid for interest	\$1,859	\$3,081
Cash paid for income taxes	\$13,378	\$9,025
Non-cash transactions:		
Purchase of business utilizing earnout consideration recorded in other current liabilities	\$2,000	\$-

Purchase of business utilizing earnout consideration recorded in long-term liabilities	\$4,000	\$-
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- See notes to condensed consolidated financial statements.

7

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Condensed Consolidated Statement of Shareholders' Equity (Unaudited)

(000)

	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Total
	Shares	Amount	(Loss)		Shares	Amount	
Balance - June 30, 2015	71,780	\$226,609	\$ 8,665	\$587,302	(10,565)	\$(93,495)	\$729,081
Shares issued under share-based compensation plans	880	7,444	-	-	-	-	7,444
Shares acquired in satisfaction of minimum tax withholding obligations	-	-	-	-	(110)	(1,981)	(1,981)
Net earnings	-	-	-	-	-	-	-