

IPG PHOTONICS CORP
Form 10-Q
August 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

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

Commission File Number 001-33155

IPG PHOTONICS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 04-3444218
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

50 Old Webster Road, 01540
Oxford, Massachusetts
(Address of principal executive offices) (Zip code)
(508) 373-1100
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ý NO ..

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

Large Accelerated Filer ý 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 ý

As of August 5, 2013, there were 51,537,804 shares of the registrant's common stock issued and outstanding.

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PART I-FINANCIAL INFORMATION

ITEM 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

IPG PHOTONICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	June 30, 2013	December 31, 2012
	(In thousands, except share and per share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$369,484	\$384,053
Accounts receivable, net	114,498	96,630
Inventories	154,093	139,618
Prepaid income taxes and income taxes receivable	16,146	13,071
Prepaid expenses and other current assets	25,942	18,639
Deferred income taxes, net	11,422	12,948
Total current assets	691,585	664,959
DEFERRED INCOME TAXES, NET	3,402	2,107
GOODWILL	455	2,898
INTANGIBLE ASSETS, NET	10,956	7,510
PROPERTY, PLANT AND EQUIPMENT, NET	225,195	210,563
OTHER ASSETS	7,662	7,461
TOTAL	\$939,255	\$895,498
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Revolving line-of-credit facilities	\$1,822	\$2,442
Current portion of long-term debt	1,333	1,505
Accounts payable	18,525	17,783
Accrued expenses and other liabilities	53,450	51,451
Deferred income taxes, net	2,211	9,831
Income taxes payable	17,861	42,443
Total current liabilities	95,202	125,455
DEFERRED INCOME TAXES AND OTHER LONG-TERM LIABILITIES	16,086	13,102
LONG-TERM DEBT, NET OF CURRENT PORTION	12,000	14,014
Total liabilities	123,288	152,571
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
IPG PHOTONICS CORPORATION STOCKHOLDERS' EQUITY:		
Common stock, \$0.0001 par value, 175,000,000 shares authorized; 51,518,051 shares issued and outstanding at June 30, 2013; 51,359,247 shares issued and outstanding at	5	5
December 31, 2012		
Additional paid-in capital	521,044	511,039
Retained earnings	311,824	234,977
Accumulated other comprehensive loss	(16,906	) (3,094
Total IPG Photonics Corporation stockholders' equity	815,967	742,927
TOTAL	\$939,255	\$895,498

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(in thousands, except per share data)			
NET SALES	\$ 168,171	\$ 137,927	\$ 310,023	\$ 261,119
COST OF SALES	78,249	63,017	144,460	117,525
GROSS PROFIT	89,922	74,910	165,563	143,594
OPERATING EXPENSES:				
Sales and marketing	6,845	5,854	12,713	10,986
Research and development	10,483	7,229	19,281	14,369
General and administrative	12,829	8,736	24,639	18,685
Gain on foreign exchange	(110)	(3,354)	(591)	(2,068)
Total operating expenses	30,047	18,465	56,042	41,972
OPERATING INCOME	59,875	56,445	109,521	101,622
OTHER (EXPENSE) INCOME, Net:				
Interest (expense) income, net	(35)	615	(88)	486
Other expense, net	(239)	(92)	(169)	(1,186)
Total other (expense) income	(274)	523	(257)	(700)
INCOME BEFORE PROVISION FOR INCOME TAXES	59,601	56,968	109,264	100,922
PROVISION FOR INCOME TAXES	(17,881)	(17,119)	(32,417)	(30,525)
NET INCOME	41,720	39,849	76,847	70,397
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	2,107	—	2,740
NET INCOME ATTRIBUTABLE TO IPG PHOTONICS CORPORATION	\$ 41,720	\$ 37,742	\$ 76,847	\$ 67,657
NET INCOME ATTRIBUTABLE TO IPG PHOTONICS CORPORATION PER SHARE:				
Basic	\$ 0.81	\$ 0.74	\$ 1.49	\$ 1.37
Diluted	\$ 0.80	\$ 0.72	\$ 1.47	\$ 1.34
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	51,462	50,989	51,435	49,717
Diluted	52,385	52,071	52,357	50,826

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net income	\$41,720	\$39,849	\$76,847	\$70,397
Other comprehensive income (loss), net of tax:				
Translation adjustments	(4,358)	(21,846)	(13,986)	(6,803)
Unrealized gain on derivatives	91	49	174	106
Total other comprehensive loss	(4,267)	(21,797)	(13,812)	(6,697)
Comprehensive income	37,453	18,052	63,035	63,700
Comprehensive (loss) income attributable to noncontrolling interest & redeemable noncontrolling interest	—	(857)	—	1,908
Comprehensive income attributable to IPG Photonics Corporation	\$37,453	\$18,909	\$63,035	\$61,792
See notes to consolidated financial statements.				

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2013	2012
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$76,847	\$70,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,885	12,358
Deferred income taxes	(3,385	) 389
Stock-based compensation	5,472	4,199
Gains on foreign currency transactions	(591	) (865
Other	460	12
Provisions for inventory, warranty & bad debt	10,255	8,502
Changes in assets and liabilities that (used) provided cash:		
Accounts receivable	(21,212	) (13,301
Inventories	(23,814	) (10,148
Prepaid expenses and other current assets	(1,503	) (1,296
Accounts payable	2,508	2,184
Accrued expenses and other liabilities	(880	) (3,922
Income and other taxes payable	(32,412	) 11,041
Tax benefit from exercise of employee stock options	(2,356	) (1,095
Net cash provided by operating activities	24,274	78,455
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(34,263	) (35,966
Proceeds from sales of property, plant and equipment	166	—
Proceeds from short-term investments	—	15,687
Acquisition of businesses	(5,555) —
Other	407	(39
Net cash used in investing activities	(39,245	) (20,318
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line-of-credit facilities	11,971	6,949
Payments on line-of-credit facilities	(12,591	) (9,692
Purchase of noncontrolling interests	—	(700
Purchase of redeemable noncontrolling interests	—	(55,400
Principal payments on long-term borrowings	(2,186	) (1,476
Exercise of employee stock options and issuances under employee stock purchase plan	2,177	2,249
Tax benefit from exercise of employee stock options	2,356	1,095
Proceeds from follow-on public offering, net of offering expenses	—	168,022
Net cash provided by financing activities	1,727	111,047
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(1,325	) (3,840
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,569	) 165,344
CASH AND CASH EQUIVALENTS — Beginning of period	384,053	180,234
CASH AND CASH EQUIVALENTS — End of period	\$369,484	\$345,578
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$165	\$411
Cash paid for income taxes	\$61,308	\$14,446
Non-cash transactions:		

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Demonstration units transferred from inventory to other assets	\$2,410	\$1,182
Additions to property, plant and equipment included in accounts payable	\$605	\$537
See notes to consolidated financial statements.		

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