

ESTERLINE TECHNOLOGIES CORP
Form 10-Q
March 01, 2013

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 January 25, 2013.

Or

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

For the transition period from _____ to _____

Commission file number 1-6357

ESTERLINE TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction
of incorporation or organization)

13-2595091
(I.R.S. Employer
Identification No.)

500 108th Avenue N.E., Bellevue, Washington 98004

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code (425) 453-9400

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of February 26, 2013, 30,989,131 shares of the issuer's common stock were outstanding.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEET

As of January 25, 2013 and October 26, 2012

(In thousands, except share amounts)

<u>ASSETS</u>	January 25, 2013 (Unaudited)	October 26, 2012
Current Assets		
Cash and cash equivalents	\$ 202,776	\$ 160,675
Cash in escrow	5,017	5,016
Accounts receivable, net of allowances of \$9,263 and \$9,029	331,335	383,362
Inventories		
Raw materials and purchased parts	155,481	146,390
Work in process	178,729	174,824
Finished goods	87,416	88,623
	421,626	409,837
Income tax refundable	6,516	4,832
Deferred income tax benefits	47,430	46,000
Prepaid expenses	27,207	21,340
Other current assets	6,083	4,631
Total Current Assets	1,047,990	1,035,693
Property, Plant and Equipment	715,584	701,541
Accumulated depreciation	358,611	345,140
	356,973	356,401
Other Non-Current Assets		
Goodwill	1,105,656	1,098,962
Intangibles, net	599,396	609,045
Debt issuance costs, net of accumulated amortization of \$5,046 and \$4,577	8,349	8,818
Deferred income tax benefits	97,758	97,952
Other assets	19,282	20,246

\$ 3,235,404 \$ 3,227,117

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

For the Three Month Periods Ended January 25, 2013 and January 27, 2012

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended	
	January 25, 2013	January 27, 2012
Net Sales	\$ 457,962	\$ 470,882
Cost of Sales	297,617	312,801
	160,345	158,081
Expenses		
Selling, general & administrative	98,611	94,697
Research, development & engineering	23,076	26,395
Total Expenses	121,687	121,092
Operating Earnings	38,658	36,989
Interest Income	(101)	(95)
Interest Expense	10,444	11,528
Income Before Income Taxes	28,315	25,556
Income Tax Expense	2,394	2,576
Income Including Noncontrolling Interests	25,921	22,980
Income Attributable to Noncontrolling Interests	(810)	(192)
Net Earnings Attributable to Esterline	\$ 25,111	\$ 22,788
Earnings Per Share Attributable to Esterline:		
Basic Earnings Per Share	\$.81	\$.74
Diluted Earnings Per Share	.80	.73
Comprehensive Income (Loss)	\$ 36,891	\$ (41,078)

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Month Periods Ended January 25, 2013 and January 27, 2012

(Unaudited)

(In thousands)

	Three Months Ended	
	January 25, 2013	January 27, 2012
Cash Flows Provided (Used) by Operating Activities		
Net earnings including noncontrolling interests	\$ 25,921	\$ 22,980
Adjustments to reconcile net earnings including noncontrolling interests to net cash provided (used) by operating activities:		
Depreciation and amortization	27,971	26,123
Deferred income taxes	(3,516)	(7,619)
Share-based compensation	3,743	2,648
Gain on sale of capital assets	(51)	(447)
Working capital changes, net of effect of acquisitions:		
Accounts receivable	54,172	11,202
Inventories	(8,743)	(2,439)
Prepaid expenses	(5,771)	(2,275)
Other current assets	(1,658)	670
Accounts payable	(6,683)	(3,777)
Accrued liabilities	(9,783)	(1,550)
Federal and foreign income taxes	161	2,781
Other liabilities	9,486	75
Other, net	1,297	(1,725)
	86,546	46,647
Cash Flows Provided (Used) by Investing Activities		
Purchases of capital assets	(12,253)	(12,926)
Proceeds from sale of capital assets	51	447
Escrow deposit	(1)	(6)
	(12,203)	(12,485)
Cash Flows Provided (Used) by Financing Activities		
Proceeds provided by stock issuance under employee stock plans	3,671	1,379
Excess tax benefits from stock options exercised	335	6
Dividends paid to noncontrolling interest	(514)	0
Proceeds from credit facilities	82	0
Repayment of long-term debt	(36,609)	(31,385)
Proceeds from government assistance	650	7,942
	(32,385)	(22,058)
Effect of Foreign Exchange Rates on Cash and Cash Equivalents	143	(3,850)

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Net Increase in Cash and Cash Equivalents		42,101		8,254
Cash and Cash Equivalents	Beginning of Period		160,675	185,035
Cash and Cash Equivalents	End of Period	\$	202,776	\$ 193,289
Supplemental Cash Flow Information				
Cash paid for interest		\$	2,830	\$ 4,069
Cash paid for taxes			5,083	5,878

ESTERLINE TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended January 25, 2013 and January 27, 2012

1. The consolidated balance sheet as of January 25, 2013, the consolidated statement of operations for the three month periods ended January 25, 2013, and January 27, 2012, and the consolidated statement of cash flows for the three month periods ended January 25, 2013, and January 27, 2012, are unaudited but, in the opinion of management, all of the necessary adjustments, consisting of normal recurring accruals, have been made to present fairly the financial statements referred to above in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the above statements do not include all of the footnotes required for complete financial statements. The results of operations and cash flows for the interim periods presented are not necessarily indicative of results that can be expected for the full year.
2. The notes to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended October 26, 2012, provide a summary of significant accounting policies and additional financial information that should be read in conjunction with this Form 10-Q.
3. The timing of the Company's revenues is impacted by the purchasing patterns of customers and, as a result, revenues are not generated evenly throughout the year. Moreover, the Company's first fiscal quarter, November through January, includes significant holiday periods in both Europe and North America.
4. Basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the year. Diluted earnings per share includes the dilutive effect of stock options and restricted stock units. Common shares issuable from employee stock plans that are excluded from the calculation of diluted earnings per share because they were anti-dilutive were 672,825 and 632,275 in the first fiscal quarter of 2013 and 2012, respectively. Shares used for calculating earnings per share are disclosed in the following table.

(In thousands)

	Three Months Ended	
	January 25, 2013	January 27, 2012
Shares Used for Basic Earnings Per Share	30,904	30,631
Shares Used for Diluted Earnings Per Share	31,423	31,157

5. The Company's comprehensive income (loss) is as follows: