

Vishay Precision Group, Inc.
Form 10-Q
August 07, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2018

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 1-34679

VISHAY PRECISION GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

27-0986328

(State or Other Jurisdiction of Incorporation)

(I.R.S. Employer Identification Number)

3 Great Valley Parkway, Suite 150

Malvern, PA 19355

484-321-5300

(Address of Principal Executive Offices) (Zip Code) (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 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 (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 7, 2018, the registrant had 12,449,253 shares of its common stock and 1,025,158 shares of its Class B convertible common stock outstanding.

VISHAY PRECISION GROUP, INC.
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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Balance Sheets

(In thousands)

	June 30, 2018 (Unaudited)	December 31, 2017 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 74,713	\$ 74,292
Accounts receivable, net	52,103	46,789
Inventories:		
Raw materials	19,502	16,601
Work in process	23,936	23,160
Finished goods	21,984	20,174
Inventories, net	65,422	59,935
Prepaid expenses and other current assets	11,660	10,299
Total current assets	203,898	191,315
Property and equipment, at cost:		
Land	3,412	3,434
Buildings and improvements	50,376	50,276
Machinery and equipment	97,772	95,158
Software	8,160	7,955
Construction in progress	2,172	2,252
Accumulated depreciation	(107,399)	(103,401)
Property and equipment, net	54,493	55,674
Goodwill	18,799	19,181
Intangible assets, net	18,966	20,475
Other assets	18,743	19,906
Total assets	\$ 314,899	\$ 306,551

Continues on the following page.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Balance Sheets (continued)

(In thousands)

	June 30, 2018	December 31, 2017
	(Unaudited)	
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$ 11,049	\$ 13,678
Payroll and related expenses	14,932	15,892
Other accrued expenses	16,758	15,952
Income taxes	2,888	2,515
Current portion of long-term debt	4,088	3,878
Total current liabilities	49,715	51,915
Long-term debt, less current portion	26,690	28,477
Deferred income taxes	2,300	2,300
Other liabilities	13,781	14,131
Accrued pension and other postretirement costs	16,115	16,424
Total liabilities	108,601	113,247
Commitments and contingencies		
Equity:		
Common stock	1,307	1,288
Class B convertible common stock	103	103
Treasury stock	(8,765) (8,765)
Capital in excess of par value	195,668	192,904
Retained earnings	55,604	43,076
Accumulated other comprehensive loss	(37,598) (35,450)
Total Vishay Precision Group, Inc. stockholders' equity	206,319	193,156
Noncontrolling interests	(21) 148
Total equity	206,298	193,304
Total liabilities and equity	\$ 314,899	\$ 306,551

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Fiscal quarter ended	
	June 30, 2018	July 1, 2017
Net revenues	\$74,231	\$62,319
Costs of products sold	42,865	37,560
Gross profit	31,366	24,759
Selling, general, and administrative expenses	19,990	18,591
Restructuring costs	61	315
Operating income	11,315	5,853
Other income (expense):		
Interest expense	(478)	(468)
Other	(272)	(571)
Other income (expense) - net	(750)	(1,039)
Income before taxes	10,565	4,814
Income tax expense	2,882	1,198
Net earnings	7,683	3,616
Less: net loss attributable to noncontrolling interests	(10)	(3)
Net earnings attributable to VPG stockholders	\$7,693	\$3,619
Basic earnings per share attributable to VPG stockholders	\$0.57	\$0.27
Diluted earnings per share attributable to VPG stockholders	\$0.57	\$0.27
Weighted average shares outstanding - basic	13,464	13,257
Weighted average shares outstanding - diluted	13,513	13,446

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Six fiscal months ended	
	June 30, 2018	July 1, 2017
Net revenues	\$ 147,322	\$ 122,106
Costs of products sold	87,451	74,830
Gross profit	59,871	47,276
Selling, general, and administrative expenses	40,309	36,609
Restructuring costs	61	869
Operating income	19,501	9,798
Other income (expense):		
Interest expense	(920)	(920)
Other	(921)	(1,100)
Other income (expense) - net	(1,841)	(2,020)
Income before taxes	17,660	7,778
Income tax expense	5,019	2,159
Net earnings	12,641	5,619
Less: net (loss) earnings attributable to noncontrolling interests	(40)	5)
Net earnings attributable to VPG stockholders	\$ 12,681	\$ 5,614
Basic earnings per share attributable to VPG stockholders	\$ 0.95	\$ 0.42
Diluted earnings per share attributable to VPG stockholders	\$ 0.94	\$ 0.42
Weighted average shares outstanding - basic	13,409	13,233
Weighted average shares outstanding - diluted	13,511	13,442

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Comprehensive Income (Loss)

(Unaudited - In thousands)

	Fiscal quarter ended	
	June 30, 2018	July 1, 2017
Net earnings	\$7,683	\$3,616
Other comprehensive income (loss):		
Foreign currency translation adjustment	(3,934)	2,345
Pension and other postretirement actuarial items, net of tax	275	(67)
Other comprehensive income	(3,659)	2,278
Total comprehensive income	4,024	5,894
Less: comprehensive loss attributable to noncontrolling interests	(10)	(3)
Comprehensive income attributable to VPG stockholders	\$4,034	\$5,897

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Comprehensive Income (Loss)
(Unaudited - In thousands)

	Six fiscal months ended	
	June 30, 2018	July 1, 2017
Net earnings	\$12,641	\$5,619
Other comprehensive income (loss):		
Foreign currency translation adjustment	(2,517)	3,834
Pension and other postretirement actuarial items, net of tax	369	(31)
Other comprehensive (loss) income	(2,148)	3,803
Comprehensive income	10,493	9,422
Less: comprehensive (loss) income attributable to noncontrolling interests	(40)	5
Comprehensive income attributable to VPG stockholders	\$10,533	\$9,417

See accompanying notes.

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VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Cash Flows
(Unaudited - In thousands)

	Six fiscal months ended	
	June 30, 2018	July 1, 2017
Operating activities		
Net earnings	\$12,641	\$5,619
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	5,332	5,318
Gain on disposal of property and equipment	(83)	(141)
Share-based compensation expense	801	492
Inventory write-offs for obsolescence	1,158	982
Deferred income taxes	1,086	(104)
Other	455	(445)
Net changes in operating assets and liabilities:		
Accounts receivable, net	(6,141)	(6,928)
Inventories, net	(7,304)	(761)
Prepaid expenses and other current assets	(1,724)	(1,397)
Trade accounts payable	(390)	1,020
Other current liabilities	1,536	3,676
Net cash provided by operating activities	7,367	7,331
Investing activities		
Capital expenditures	(6,134)	(3,146)
Proceeds from sale of property and equipment	106	326
Net cash used in investing activities	(6,028)	(2,820)
Financing activities		
Principal payments on long-term debt and capital leases	(3,847)	(1,314)
Proceeds from revolving facility	11,000	16,000
Payments on revolving facility	(6,000)	(16,000)
Distributions to noncontrolling interests	(129)	(46)
Payments of employee taxes on certain share-based arrangements	(801)	(303)
Net cash provided by (used in) financing activities	223	(1,663)
Effect of exchange rate changes on cash and cash equivalents	(1,141)	1,858
Increase in cash and cash equivalents	421	4,706
Cash and cash equivalents at beginning of period	74,292	58,452
Cash and cash equivalents at end of period	\$74,713	\$63,158
Supplemental disclosure of non-cash investing transactions:		
Capital expenditures purchased	\$(3,988)	\$(3,146)
Supplemental disclosure of non-cash financing transactions:		
Conversion of exchangeable notes to common stock	\$(2,794)	\$(1,303)

See accompanying notes.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statement of Equity

(Unaudited - In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total VPG, Inc. Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	\$ 1,288	\$ 103	\$(8,765)	\$192,904	\$43,076	\$(35,450)	\$ 193,156	\$ 148	\$ 193,304
Net earnings	—	—	—	—	12,681	—	12,681	(40)	12,641
Other comprehensive income	—	—	—	—	—	(2,148)	(2,148)	—	(2,148)
Share-based compensation expense	—	—	—	801	—	—	801	—	801
Restricted stock issuances (59,038 shares)	7	—	—	(819)	—	—	(812)	—	(812)
Common stock issuance from conversion of exchangeable notes (123,808 shares)	12	—	—	2,782	—	—	2,794	—	2,794
Cumulative effect adjustment for adoption of ASU 2016-16	—	—	—	—	(153)	—	(153)	—	(153)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(129)	(129)
Balance at June 30, 2018	\$ 1,307	\$ 103	\$(8,765)	\$195,668	\$55,604	\$(37,598)	\$ 206,319	\$(21)	\$ 206,298

See accompanying notes.

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Vishay Precision Group, Inc.

Notes to Unaudited Consolidated Condensed Financial Statements

Note 1 – Basis of Presentation

Background

Vishay Precision Group, Inc. (“VPG” or the “Company”) is an internationally recognized designer, manufacturer and marketer of sensors, and sensor-based measurement systems, as well as specialty resistors and strain gages based upon the Company's proprietary technology. The Company provides precision products and solutions, many of which are “designed-in” by its customers, specializing in the growing markets of stress, force, weight, pressure, and current measurements.

Interim Financial Statements

These unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements and therefore do not include all information and footnotes necessary for the presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in VPG’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 15, 2018. The results of operations for the fiscal quarter ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year. VPG reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2018 and 2017 end on the following dates:

	2018	2017
Quarter 1	March 31,	April 1,
Quarter 2	June 30,	July 1,
Quarter 3		