

ASTRONICS CORP
Form 10-Q
May 05, 2016
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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 April 2, 2016
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 0-7087

ASTRONICS CORPORATION
(Exact name of registrant as specified in its charter)

New York 16-0959303
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification Number)

130 Commerce Way, East Aurora, New York 14052
(Address of principal executive offices) (Zip code)
(716) 805-1599

(Registrant's telephone number, including area code)

NOT APPLICABLE

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

Securities registered pursuant to Section 12(g) of the Act:

\$.01 par value Common Stock, \$.01 par value Class B Stock

(Title of Class)

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, 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 (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 ý No ¨

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “large accelerated filer”, an “accelerated filer”, a “non-accelerated filer” and a “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

As of April 2, 2016, 25,520,160 shares of common stock were outstanding consisting of 19,428,339 shares of common stock (\$.01 par value) and 6,091,821 shares of Class B common stock (\$.01 par value).

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Part I – Financial Information

Item 1. Financial Statements

ASTRONICS CORPORATION

Consolidated Condensed Balance Sheets

April 2, 2016 with Comparative Figures for December 31, 2015

(In thousands)

	April 2, 2016 (Unaudited)	December 31, 2015
Current Assets:		
Cash and Cash Equivalents	\$ 15,791	\$ 18,561
Accounts Receivable, Net of Allowance for Doubtful Accounts	106,177	95,277
Inventories	118,666	115,467
Prepaid Expenses and Other Current Assets	16,403	20,662
Total Current Assets	257,037	249,967
Property, Plant and Equipment, Net of Accumulated Depreciation	123,971	124,742
Other Assets	11,438	10,889
Intangible Assets, Net of Accumulated Amortization	105,633	108,276
Goodwill	115,742	115,369
Total Assets	\$ 613,821	\$ 609,243
Current Liabilities:		
Current Maturities of Long-term Debt	\$ 2,664	\$ 2,579
Accounts Payable	30,089	27,138
Accrued Expenses and Other Current Liabilities	27,516	35,758
Customer Advance Payments and Deferred Revenue	34,878	38,757
Total Current Liabilities	95,147	104,232
Long-term Debt	169,682	167,210
Other Liabilities	38,019	37,576
Total Liabilities	302,848	309,018
Shareholders' Equity:		
Common Stock	257	256
Accumulated Other Comprehensive Loss	(13,117)	(15,064)
Other Shareholders' Equity	323,833	315,033
Total Shareholders' Equity	310,973	300,225
Total Liabilities and Shareholders' Equity	\$ 613,821	\$ 609,243

See notes to consolidated condensed financial statements.

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ASTRONICS CORPORATION

Consolidated Condensed Statements of Operations

Three Months Ended April 2, 2016 With Comparative Figures for 2015

(Unaudited)

(In thousands, except per share data)

	Three Months Ended	
	April 2, 2016	April 4, 2015
Sales	\$159,530	\$161,638
Cost of Products Sold	120,047	121,476
Gross Profit	39,483	40,162
Selling, General and Administrative Expenses	21,884	22,619
Income from Operations	17,599	17,543
Interest Expense, Net of Interest Income	1,087	1,246
Income Before Income Taxes	16,512	16,297
Provision for Income Taxes	5,027	5,614
Net Income	\$11,485	\$10,683
Earnings Per Share:		
Basic	\$0.45	\$0.42
Diluted	\$0.44	\$0.41

See notes to consolidated condensed financial statements.

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ASTRONICS CORPORATION

Consolidated Condensed Statements of Comprehensive Income
 Three Months Ended April 2, 2016 With Comparative Figures for 2015

(Unaudited)

(In thousands)

	Three Months Ended	
	April 2, 2016	April 4, 2015
Net Income	\$11,485	\$10,683
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	1,816	(3,646)
Retirement Liability Adjustment – Net of Tax	131	161
Other Comprehensive Income (Loss)	1,947	(3,485)
Comprehensive Income	\$13,432	\$7,198

See notes to consolidated condensed financial statements.

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ASTRONICS CORPORATION

Consolidated Condensed Statements of Cash Flows

Three Months Ended April 2, 2016

With Comparative Figures for 2015

(Unaudited)

(In thousands)

	Three Months Ended	
	April 2, 2016	April 4, 2015
Cash Flows From Operating Activities:		
Net Income	\$11,485	\$10,683
Adjustments to Reconcile Net Income to Cash Provided By Operating Activities:		
Depreciation and Amortization	6,546	6,127
Provisions for Non-Cash Losses on Inventory and Receivables	563	(74)
Stock Compensation Expense	597	506
Deferred Tax Benefit	(468)	(40)
Other	119	110
Cash Flows from Changes in Operating Assets and Liabilities:		
Accounts Receivable	(10,384)	18,563
Inventories	(3,117)	(3,474)
Accounts Payable	2,755	5,517
Accrued Expenses	(8,522)	(4,535)
Other Current Assets and Liabilities	214	(633)
Customer Advanced Payments and Deferred Revenue	(3,831)	(8,796)
Income Taxes	4,245	2,416
Supplemental Retirement and Other Liabilities	341	409
Cash Provided By Operating Activities	543	26,779
Cash Flows From Investing Activities:		
Acquisition of Business, Net of Cash Acquired	—	(52,615)
Capital Expenditures	(2,450)	(7,059)
Other Investing Activities	—	(300)
Cash Used For Investing Activities	(2,450)	(59,974)
Cash Flows From Financing Activities:		
Proceeds from Long-term Debt	10,000	40,000
Payments for Long-term Debt	(7,604)	(5,663)
Purchase of Outstanding Shares for Treasury	(4,261)	—
Debt Acquisition Costs	(164)	—
Proceeds from Exercise of Stock Options	451	402
Income Tax Benefit from Exercise of Stock Options	529	708
Cash (Used For) Provided By Financing Activities	(1,049)	35,447
Effect of Exchange Rates on Cash	186	(886)
(Decrease) Increase in Cash and Cash Equivalents	(2,770)	1,366
Cash and Cash Equivalents at Beginning of Period	18,561	21,197
Cash and Cash Equivalents at End of Period	\$15,791	\$22,563
See notes to consolidated condensed financial statements.		

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ASTRONICS CORPORATION

Notes to Consolidated Condensed Financial Statements

April 2, 2016

(Unaudited)

1) Basis of Presentation

The accompanying unaudited statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included.

All 2015 share quantities and per share data reported have been restated to reflect the impact of the three-for-twenty Class B stock distribution to shareholders of record on October 8, 2015.

Operating Results

The results of operations for any interim period are not necessarily indicative of results for the full year. Operating results for the three months ended April 2, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The balance sheet at December 31, 2015 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in Astronics Corporation's 2015 annual report on Form 10-K.

Description of the Business

Astronics Corporation ("Astronics" or the "Company") is a leading supplier of products to the global aerospace, defense, electronics and semiconductor industries. Our products and services include advanced, high-performance electrical power generation, distribution and motion systems, lighting & safety systems, avionics products, aircraft structures, systems certification and automated test systems.

We have operations in the United States ("U.S."), Canada and France. We design and build our products through our wholly owned subsidiaries Astronics Advanced Electronic Systems Corp. ("AES"); Astronics AeroSat Corporation ("AeroSat"); Ballard Technology, Inc. ("Ballard"); Astronics DME LLC ("DME"); Luminescent Systems, Inc. ("LSI"); Luminescent Systems Canada, Inc. ("LSI Canada"); Max-Viz, Inc. ("Max-Viz"); Peco, Inc. ("Peco"); PGA Electronic s.a. ("PGA"); Astronics Test Systems, Inc. ("ATS") and Armstrong Aerospace, Inc. ("Armstrong").

Cost of Products Sold, Engineering and Development and Selling, General and Administrative Expenses

Cost of products sold includes the costs to manufacture products such as direct materials and labor and manufacturing overhead as well as all engineering and development costs. The Company is engaged in a variety of engineering and design activities as well as basic research and development activities directed to the substantial improvement or new application of the Company's existing technologies. These costs are expensed when incurred and included in cost of products sold. Research and development, design and related engineering amounted to \$23.3 million and \$22.2 million for the three months ended April 2, 2016 and April 4, 2015, respectively. Selling, general and administrative expenses include costs primarily related to our sales and marketing departments and administrative departments.

Interest expense is shown net of interest income. Interest income was insignificant for the three months ended April 2, 2016 and April 4, 2015.

Foreign Currency Translation

The aggregate transaction gain or loss included in operations was insignificant for the three months ended April 2, 2016 and April 4, 2015.

Accounting Pronouncements Adopted in 2016

There have been no recent accounting pronouncements that have had an impact on the Company's financial statements.

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2) Inventories

Inventories are as follows:

(In thousands)	April 2, 2016	December 31, 2015
Finished Goods	\$28,295	\$ 27,770
Work in Progress	23,482	23,977
Raw Material	66,889	63,720
	\$118,666	\$ 115,467

3) Property, Plant and Equipment

The following table summarizes Property, Plant and Equipment as follows:

(In thousands)	April 2, 2016	December 31, 2015
Land	\$11,187	\$ 11,145
Buildings and Improvements	79,514	78,989
Machinery and Equipment	91,656	89,514
Construction in Progress	3,294	3,282
	185,651	182,930
Less Accumulated Depreciation	61,680	58,188
	\$123,971	\$ 124,742

4) Intangible Assets

The following table summarizes acquired intangible assets as follows:

(In thousands)	Weighted Average Life	April 2, 2016		December 31, 2015	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	5 Years	\$2,146	\$ 1,311	\$2,146	\$ 1,264
Non-compete Agreement	4 Years	2,500	604	2,500	479
Trade Names	8 Years	10,250	2,451	10,217	2,216
Completed and Unpatented Technology	6 Years	24,115	7,401	24,056	6,795
Backlog	Less than 1 Year	11,202	10,997	11,202	