BELDEN INC.
Form 10-Q
May 06, 2009

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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 29, 2009
Commission File No. 001-12561

BELDEN INC.
(Exact name of registrant as specified in its charter)

Delaware	**36-3601505**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7733 Forsyth Boulevard, Suite 800
St. Louis, Missouri 63105
(Address of principal executive offices)
(314) 854-8000
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 Act 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 þ No o.
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 (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 o No o.
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ.
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. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

As of May 4, 2009, the Registrant had 46,572,527 outstanding shares of common stock.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements
BELDEN INC.
CONSOLIDATED BALANCE SHEETS

	March 29, 2009 (Unaudited)	December 31, 2008
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 224,443	$ 227,413
Receivables, net	248,393	292,236
Inventories, net	181,228	216,022
Deferred income taxes	19,450	22,606
Other current assets	42,710	34,826
Total current assets	716,224	793,103
Property, plant and equipment, less accumulated depreciation	301,998	324,569
Goodwill	316,719	321,478
Intangible assets, less accumulated amortization	143,621	156,025
Other long-lived assets	51,723	53,388
	$ 1,530,285	$ 1,648,563
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 128,484	$ 160,744
Accrued liabilities	152,659	180,801
Total current liabilities	281,143	341,545
Long-term debt	590,000	590,000
Postretirement benefits	121,006	120,256
Deferred income taxes	1,248	4,270
Other long-term liabilities	18,531	21,624
Stockholders equity:		
Preferred stock		
Common stock	503	503
Additional paid-in capital	584,026	585,704
Retained earnings	72,145	106,949
Accumulated other comprehensive income (loss)	(7,903)	10,227
Treasury stock	(130,414)	(132,515)
Total stockholders equity	518,357	570,868

	$ 1,530,285	$ 1,648,563

The accompanying notes are an integral part of these Consolidated Financial Statements

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BELDEN INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended			
	March 29, 2009		March 30, 2008	
	(In thousands, except per share amounts)			
Revenues	$	328,512	$	511,826
Cost of sales		(244,319)		(366,009)
Gross profit		84,193		145,817
Selling, general and administrative expenses		(76,697)		(95,163)
Research and development		(16,555)		(9,071)
Amortization of intangibles		(3,865)		(2,552)
Asset impairment		(24,723)		(11,549)
Loss on sale of assets				(884)
Operating income (loss)		(37,647)		26,598
Interest expense		(7,323)		(8,343)
Interest income		364		957
Other income (expense)		(251)		1,168
Income (loss) before taxes		(44,857)		20,380
Income tax benefit (expense)		12,403		(7,495)
Net income (loss)	$	(32,454)	$	12,885
Weighted average number of common shares and equivalents:				
Basic		46,526		44,139
Diluted		46,526		48,377
Basic income (loss) per share	$	(0.70)	$	0.29
Diluted income (loss) per share	$	(0.70)	$	0.27
Dividends declared per share	$	0.05	$	0.05

The accompanying notes are an integral part of these Consolidated Financial Statements

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BELDEN INC.
CONSOLIDATED CASH FLOW STATEMENTS
(Unaudited)

	Three Months Ended	
	March 29, 2009	March 30, 2008
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (32,454)	$ 12,885
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	13,288	13,758
Share-based compensation	2,020	3,287
Provision for inventory obsolescence	2,548	1,660
Asset impairment	24,723	11,549
Loss on disposal of tangible assets		884
Amortization of discount on convertible subordinated notes		524
Pension funding in excess of pension expense	(2,318)	(2,650)
Tax deficiency (benefit) related to share-based compensation	1,104	(895)
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	40,847	1,091
Inventories	29,497	(3,927)
Deferred cost of sales	228	
Accounts payable	(31,204)	(8,881)
Accrued liabilities	(18,372)	172
Deferred revenue	(49)	
Accrued taxes	(11,209)	7,956
Other assets	(2,347)	(1,695)
Other liabilities	(3,679)	(5,026)
Net cash provided by operating activities	12,623	30,692
Cash flows from investing activities:		
Capital expenditures	(9,554)	(6,905)
Proceeds from disposal of tangible assets		39,140
Cash used for other investing activities	(18)	(61)
Net cash provided by (used for) investing activities	(9,572)	32,174
Cash flows from financing activities:		
Cash dividends paid	(2,373)	(2,251)
Debt issuance costs	(1,541)	
Tax benefit (deficiency) related to share-based compensation	(1,104)	895
Payments under share repurchase program		(36,298)
Proceeds from exercise of stock options		4,300
Net cash used for financing activities	(5,018)	(33,354)

Effect of foreign currency exchange rate changes on cash and cash equivalents	(1,003)	7,366
Increase (decrease) in cash and cash equivalents	(2,970)	36,878
Cash and cash equivalents, beginning of period	227,413	159,964
Cash and cash equivalents, end of period	$ 224,443	$ 196,842

The accompanying notes are an integral part of these Consolidated Financial Statements

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BELDEN INC.
CONSOLIDATED STOCKHOLDERS EQUITY STATEMENT
THREE MONTHS ENDED MARCH 29, 2009
(Unaudited)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Accumulated Other Comprehensive Income (Loss) Translation Component of Equity	Accumulated Other Comprehensive Income (Loss) Pension and Postretirement	
	Shares	**Amount**	**Capital**	**Earnings**	**Shares**	**Amount**	**Equity**	**Liability**	**Total**
					(In thousands)				
Balance at December 31, 2008	50,335	$ 503	$ 585,704	$ 106,949	(3,844)	$ (132,515)	$ 45,675	$ (35,448)	$ 570,868
Net loss				(32,454)					(32,454)
Foreign currency translation							(18,130)		(18,130)
Comprehensive loss									(50,584)
Release of restricted stock, net of tax withholding forfeitures			(2,601)		81	2,101			(500)
Share-based compensation			916						916
Dividends ($0.05 per share)			7	(2,350)					(2,343)
Balance at March 29, 2009	50,335	$ 503	$ 584,026	$ 72,145	(3,763)	$ (130,414)	$ 27,545	$ (35,448)	$ 518,357

The accompanying notes are an integral part of these Consolidated Financial Statements

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BELDEN INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements include Belden Inc. and all of its subsidiaries (the Company, us, we, or our). We eliminate all significant affiliate accounts and transactions in consolidation.

The accompanying Consolidated Financial Statements presented as of any date other than December 31, 2008:

- Are prepared from the books and records without audit, and

- Are prepared in accordance with the instructions to Form 10-Q and do not include all of the information required by accounting principles generally accepted in the United States for complete statements, but

- Include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial statements.

These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2008 Annual Report on Form 10-K.

Business Description

We design, manufacture, and market signal transmission solutions, including cable, connectivity and active components for mission-critical applications in markets ranging from industrial automation to data centers, broadcast studios, and aerospace.

Reporting Periods

Our fiscal year and fiscal fourth quarter both end on December 31. Typically, our fiscal first, second and third quarter each end on the last Sunday falling on or before their respective calendar quarter-end. The three months ended March 29, 2009 and March 30, 2008 include 88 and 90 calendar days, respectively.

Reclassifications

We have made certain reclassifications to the 2008 Consolidated Financial Statements with no impact to reported net income in order to conform to the 2009 presentation.

Fair Value Measurement

On January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurement*, related to financial assets and financial liabilities. In accordance with Financial Accounting Standards Board (FASB) Staff Position 157-2, *Effective Date of FASB Statement No. 157*, we adopted the provisions of SFAS No. 157 related to nonfinancial assets and nonfinancial liabilities on January 1, 2009.

SFAS No. 157 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of and during the three months ended March 29, 2009, we utilized Level 1 inputs to determine the fair value of short-term investments included in cash equivalents, and we utilized Level 2 inputs to determine the fair value of certain long-lived assets (see Note 5).

Cash and Cash Equivalents

We classify cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. We periodically have cash equivalents consisting of short-term money market funds and other investments. The primary objective of our short-term investment activities is to preserve our capital for the purpose of funding operations. We do not enter into short-term investments for trading or speculative purposes. The fair value of these short-term investments as of March 29, 2009 was $69.4 million and is based on quoted market prices in active markets.

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable. We accrue environmental remediation costs, on an undiscounted basis, based on estimates of known environmental remediation exposures developed in consultation with our environmental consultants and legal counsel. We are, from time to time, subject to routine litigation incidental to our business. These lawsuits primarily involve claims for damages arising out of the use of our products, allegations of patent or trademark infringement, and litigation and administrative proceedings involving employment matters and commercial disputes. Based on facts currently available, we believe the disposition of the claims that are pending or asserted will not have a materially adverse effect on our financial position, results of operations or cash flow.

At March 29, 2009, we were party to standby letters of credit, bank guaranties, and surety bonds totaling $9.1 million, $6.8 million, and $2.6 million, respectively.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectibility is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer s purchase order or sales agreement. We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We charge revisions to these estimates to accounts receivable and revenue in the period in which the facts that give rise to each revision become known.

Our Wireless segment accounts for revenue in accordance with Statement of Position No. 97-2, *Software Revenue Recognition* (SOP 97-2). Sales from our Wireless segment often involve multiple elements, principally hardware, software, hardware and software maintenance and other support services. When a sale involves multiple elements, we allocate the proceeds from the arrangement to each respective element based on its Vendor Specific Objective Evidence (VSOE) of fair value and recognize revenue when each element s revenue recognition criteria are met. VSOE of fair value for each element is established based on the price charged when the same element is sold separately. If VSOE of fair value cannot be established for the undelivered element of an agreement, the proceeds from the arrangement are deferred and recognized ratably over the period that the service or element is delivered. Through March 29, 2009, our Wireless segment did not establish VSOE of fair value of post-contract customer support. As a result, the proceeds and related cost of sales from revenue transactions involving multiple-element arrangements are deferred and recognized ratably over the post-contract customer support period, ranging from one to three years. As of March 29, 2009, total deferred revenue and deferred cost of sales were $20.1 million and $7.0 million, respectively. Of the total deferred revenue, $16.9 million is included in accrued liabilities, and $3.2 million is included in other long-term liabilities. Of the total deferred cost of sales, $5.9 million is included in other current assets and $1.1 million is included in other long-lived assets.

Current-Year Adoption of Accounting Pronouncements

On January 1, 2009, we adopted SFAS No. 141(R), *Business Combinations*, which replaces SFAS No. 141 and retains the fundamental requirements in SFAS No. 141, including that the purchase method be used for all business combinations and for an acquirer to be identified for each business combination. This standard defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control instead of the date that the consideration is transferred. SFAS No. 141(R) requires an acquirer in a business combination to recognize the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. It also requires the recognition of assets acquired and liabilities assumed arising from certain contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. SFAS No. 141(R) will change our accounting treatment for any future business combinations.

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On January 1, 2009, we adopted FASB Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. This FSP changes the accounting for our $110.0 million aggregate principal convertible subordinated debentures that were converted into cash and shares of common stock in 2008 (see Note 7). The FSP requires that we allocate the proceeds from the debt issuance between debt and equity components in a manner that reflects our nonconvertible debt borrowing rate. The equity component reflects the value of the conversion feature of the debentures. The FSP requires retrospective application to all periods presented and does not grandfather existing debt instruments. As such, we have adjusted our prior year financial statements. The cumulative impact of the adjustments as of January 1, 2009 was a $1.7 million decrease to retained earnings with a corresponding increase to additional paid in capital. The following table summarizes the impact of the adjustments on the three months ended March 30, 2008.

	As Previously Reported	As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ (7,819)	$ (8,343)
Income before taxes	20,904	20,380
Income tax expense	(7,684)	(7,495)
Net income	$ 13,220	$ 12,885
Basic income per share	$ 0.30	$ 0.29
Diluted income per share	$ 0.27	$ 0.27

Note 2: Operating Segments

During the first quarter of 2009, we made organizational changes to consolidate our North American operations, primarily consisting of consolidating our former Specialty Products and Belden Americas segments. These changes resulted in a change in our reported operating segments. We have organized the enterprise around geographic areas except for our wireless business. We now conduct our operations through four reported operating segments Americas; Wireless; Europe, Middle East and Africa (EMEA); and Asia Pacific. We have reclassified prior year segment disclosures to conform to the new segment presentation.

	Americas	Wireless	EMEA	Asia Pacific	Total Segments
			(In thousands)		
Three Months Ended March 29, 2009					
Total assets	$430,038	$109,285	$485,658	$238,799	$1,263,780
External customer revenues	182,210	12,003	88,061	46,238	328,512
Affiliate revenues	7,991		12,473		20,464
Operating income (loss)	24,658	(8,322)	(43,245)	3,334	(23,575)
Three Months Ended March 30, 2008					
External customer revenues	256,594		161,530	93,702	511,826
Affiliate revenues	20,360		20,898		41,258

Operating income	21,661	16,831	11,287	49,779

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The following table is a reconciliation of the total of the reportable segments operating income (loss) to consolidated income (loss) before taxes.

	Three Months Ended	
	March 29, 2009	March 30, 2008
	(In thousands)	
Segment operating income (loss)	$ (23,575)	$ 49,779
Corporate expenses	(8,357)	(13,896)
Eliminations	(5,715)	(9,285)
Total operating income (loss)	(37,647)	26,598
Interest expense	(7,323)	(8,343)
Interest income	364	957
Other income (expense)	(251)	1,168
Income (loss) before taxes	$ (44,857)	$ 20,380

Note 3: Income (Loss) per Share
The following table presents the basis for the income (loss) per share computations:

	Three Months Ended	
	March 29, 2009	March 30, 2008
	(in thousands, except per share amounts)	
Numerator:		
Net income (loss)	$ (32,454)	$ 12,885
Denominator:		
Weighted average shares outstanding, basic	46,526	44,139
Effect of dilutive common stock equivalents		4,238
Adjusted weighted average shares outstanding, diluted	46,526	48,377
Net income (loss) per share:		
Basic	$ (0.70)	$ 0.29
Diluted	$ (0.70)	$ 0.27

For the three months ended March 29, 2009 and March 30, 2008, we did not include 2.9 million and 0.7 million outstanding equity awards, respectively, in our development of the denominators used in the diluted income (loss) per share computations because they were anti-dilutive.

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Note 4: Inventories
The major classes of inventories were as follows:

	March 29, 2009	December 31, 2008
	(In thousands)	
Raw materials	$ 58,338	$ 62,701
Work-in-process	41,435	45,900
Finished goods	102,689	128,672
Perishable tooling and supplies	3,838	3,946
Gross inventories	206,300	241,219
Obsolescence and other reserves	(25,072)	(25,197)
Net inventories	$ 181,228	$ 216,022

Note 5: Long-Lived Assets
Impairments
During the first quarter of 2009, we determined that certain long-lived assets of a German cable business that we expect to sell in the second quarter of 2009 were impaired (see Note 11). We estimated the fair market value of these assets based upon the terms of the sales agreement and recognized an impairment loss of $20.4 million in the operating results of the EMEA segment. Of this total impairment loss, $14.1 million related to machinery and equipment and $2.7 million, $2.3 million, and $1.3 million related to trademarks, developed technology, and customer relations intangible assets, respectively. We also recognized impairment losses on property, plant and equipment of $2.9 million, $1.0 million, and $0.4 million in the Americas, Asia Pacific, and EMEA segments, respectively, primarily related to our decision to consolidate capacity and dispose of excess machinery and equipment. The fair values of these assets were based upon quoted prices for identical assets.
During the first quarter of 2008, we recognized an impairment loss of $7.3 million in the operating results of our Americas segment due to the decision to close our manufacturing facility in Manchester, Connecticut. We also recognized an impairment loss of $4.2 million in the operating results of this segment related to our decision to consolidate capacity and dispose of excess machinery and equipment.
Disposals
During the first quarter of 2008, we sold and leased back under a normal sale-leaseback certain Americas segment real estate in Mexico. The sales price was $25.0 million, and we recognized a loss of $0.9 million on the transaction. The lease term is 15 years with an option to renew up to an additional 10 years. We also sold our assembly operation in the Czech Republic for $8.2 million. We did not recognize a significant gain or loss on the transaction.
Depreciation and Amortization Expense
We recognized depreciation expense of $9.4 million and $11.2 million in the three-month periods ended March 29, 2009 and March 30, 2008, respectively.
We recognized amortization expense related to our intangible assets of $3.9 million and $2.6 million in the three-month periods ended March 29, 2009 and March 30, 2008, respectively.

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Note 6: Restructuring Activities

Global Restructuring

In 2008, we announced our decision to further streamline our manufacturing, sales and administrative functions worldwide in an effort to reduce costs and mitigate the weakening demand experienced throughout the global economy. In the first quarter of 2009, we continued to implement our plan to streamline these functions and recognized severance costs primarily in the EMEA segment totaling $25.9 million ($15.4 million in cost of sales; $8.7 million in selling, general and administrative expenses; and $1.8 million in research and development) related to these restructuring actions. Through March 29, 2009, we have recognized severance costs totaling $52.2 million related to these restructuring actions. We may recognize up to $15.0 million of additional costs related to these restructuring actions primarily in the Americas segment.

EMEA Manufacturing Restructuring

In prior years, we announced various decisions to realign our EMEA operations in order to consolidate manufacturing capacity. We did not recognize any new charges in 2009 related to these previous restructuring actions. Through March 29, 2009, we have recognized severance and other restructuring costs totaling $42.6 million (including amounts accounted for through purchase accounting) related to these actions. We do not expect to recognize additional costs related to these restructuring actions.

Voluntary Separation Program

In 2007, we announced a voluntary separation program primarily for associates in the United States who were at least 50 years of age and had 10 years of service with the Company. We did not recognize any costs related to this program in the first quarter of 2009 nor do we expect to recognize any future costs. In prior years, we recognized severance costs totaling $7.2 million related to this program.

The table below sets forth restructuring activity that occurred during the three months ended March 29, 2009. The balances are included in accrued liabilities.

	Global Restructuring	EMEA Manufacturing Restructuring	Voluntary Separation Program
Balance at December 31, 2008	$ 24,957	$ 24,357	$ 1,441
New charges	25,920		
Purchase accounting adjustment		(2,109)	
Cash payments	(13,157)	(9,234)	(442)
Foreign currency translation	995	(814)	
Other adjustments	(215)	(53)	
Balance at March 29, 2009	$ 38,500	$ 12,147	$ 999

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