

ESTERLINE TECHNOLOGIES CORP
Form 10-Q
May 06, 2016
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 April 1, 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 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 (Do not check if a smaller reporting company) 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 May 4, 2016, 29,353,387 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 April 1, 2016 and October 2, 2015

(In thousands, except share amounts)

	April 1, 2016 (Unaudited)	October 2, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$219,271	\$191,355
Cash in escrow	1,125	-
Accounts receivable, net of allowances of \$8,746 and \$10,050	374,090	380,748
Inventories		
Raw materials and purchased parts	175,848	169,153
Work in progress	187,056	181,187
Finished goods	97,813	96,428
	460,717	446,768
Income tax refundable	11,411	12,575
Deferred income tax benefits	-	41,082
Prepaid expenses	21,816	23,008
Other current assets	6,213	5,427
Current assets of businesses held for sale	19,217	27,851
Total Current Assets	1,113,860	1,128,814
Property, Plant and Equipment	771,321	729,317
Accumulated depreciation	443,957	419,918
	327,364	309,399
Other Non-Current Assets		
Goodwill	1,042,283	1,041,991
Intangibles, net	425,457	452,040
Deferred income tax benefits	65,783	28,979
Other assets	15,988	14,348

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Non-current assets of businesses held for sale	21,305	24,917
Total Assets	\$3,012,040	\$3,000,488

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEET

As of April 1, 2016 and October 2, 2015

(In thousands, except share amounts)

	April 1, 2016 (Unaudited)	October 2, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 123,309	\$ 117,976
Accrued liabilities	257,681	259,734
Current maturities of long-term debt	17,182	13,376
Federal and foreign income taxes	1,527	2,404
Current liabilities of businesses held for sale	14,180	17,106
Total Current Liabilities	413,879	410,596
Long-Term Liabilities		
Credit facilities	165,000	160,000
Long-term debt, net of current maturities	698,583	701,457
Deferred income tax liabilities	63,073	73,849
Pension and post-retirement obligations	74,188	75,019
Other liabilities	24,182	29,367
Non-current liabilities of businesses held for sale	822	2,409
Shareholders' Equity		
Common stock, par value \$.20 per share, authorized 60,000,000 shares, issued 32,481,814 and 32,378,185 shares	6,496	6,476
Additional paid-in capital	694,022	682,479
Treasury stock at cost, repurchased 3,033,660 and 2,831,350 shares	(301,856)	(289,780)
Retained earnings	1,467,177	1,447,120
Accumulated other comprehensive loss	(304,088)	(308,828)
Total Esterline Shareholders' Equity	1,561,751	1,537,467
Noncontrolling interests	10,562	10,324
Total Shareholders' Equity	1,572,313	1,547,791
Total Liabilities and Shareholders' Equity	\$ 3,012,040	\$ 3,000,488

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME (LOSS)

For the Three and Six Month Periods Ended April 1, 2016 and March 27, 2015

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	April 1,	March	April 1,	March
	2016	2015	2016	2015
		(Recast)		(Recast)
Net Sales	\$490,310	\$468,210	\$931,787	\$972,821
Cost of Sales	334,137	318,193	637,895	644,563
	156,173	150,017	293,892	328,258
Expenses				
Selling, general & administrative	102,423	99,432	196,514	197,521
Research, development and engineering	24,974	25,143	50,549	48,674
Restructuring charges	940	1,634	1,871	4,927
Other (income) expense	-	(12,744)	-	(12,744)
Total Expenses	128,337	113,465	248,934	238,378
Operating Earnings from Continuing Operations	27,836	36,552	44,958	89,880
Interest Income	(94)	(135)	(181)	(319)
Interest Expense	7,294	5,934	14,510	14,016
Earnings from Continuing Operations Before Income Taxes	20,636	30,753	30,629	76,183
Income Tax Expense (Benefit)	3,416	5,714	3,383	16,686
Earnings from Continuing Operations Including				
Noncontrolling Interests	17,220	25,039	27,246	59,497
Loss (Earnings) Attributable to Noncontrolling Interests	(224)	(108)	(386)	(91)
Earnings from Continuing Operations Attributable to				
Esterline, Net of Tax	16,996	24,931	26,860	59,406
Loss from Discontinued Operations Attributable to				
Esterline, Net of Tax	(2,023)	(14,600)	(6,803)	(20,476)
Net Earnings Attributable to Esterline	\$14,973	\$10,331	\$20,057	\$38,930
Earnings (Loss) Per Share Attributable to Esterline - Basic:				
Continuing operations	\$0.58	\$0.80	\$0.91	\$1.89
Discontinued operations	(0.07)	(0.47)	(0.23)	(0.65)
Earnings (Loss) Per Share - Basic	\$0.51	\$0.33	\$0.68	\$1.24

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Earnings (Loss) Per Share Attributable to Esterline - Diluted:				
Continuing operations	\$0.57	\$0.79	\$0.90	\$1.86
Discontinued operations	(0.07)	(0.46)	(0.23)	(0.64)
Earnings (Loss) Per Share - Diluted	\$0.50	\$0.33	\$0.67	\$1.22
Net Earnings	\$14,973	\$10,331	\$20,057	\$38,930
Change in Fair Value of Derivative Financial Instruments	20,274	(12,667)	16,101	(18,747)
Income Tax Expense (Benefit)				