

CIRCOR INTERNATIONAL INC
Form 10-Q/A
November 09, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended July 5, 2015.

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 001-14962

CIRCOR INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

04-3477276
(I.R.S. Employer
Identification No.)

c/o CIRCOR INTERNATIONAL, Inc.
30 Corporate Drive, Suite 200, Burlington, MA
(Address of principal executive offices)
(781) 270-1200
(Registrant's telephone number, including area code)

01803-4238
(Zip 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 (§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" 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

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As of July 24, 2015, there were 16,472,599 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

Explanatory Note

We are filing this Amended Quarterly Report on Form 10-Q/A (the "Amended Filing") to our Quarterly Report on Form 10-Q for the quarter ended July 5, 2015, which was originally filed with the Securities and Exchange Commission ("SEC") on July 28, 2015 (the "Original Filing"), to amend and restate our unaudited financial statements and related disclosures for the three and six months ended July 5, 2015. In addition, this Form 10-Q/A includes revised, but not restated, financial information for the three months ended April 5, 2015, to correct certain immaterial errors. See Note 2 to the accompanying financial statements and "Items Amended in this Filing" below, for further details on the restatement and revision of our financial statements.

Background of Restatement

On November 3, 2015, the audit committee of the Board of Directors of the Company, after discussion with the Company's management and its independent registered public accounting firm, PricewaterhouseCoopers LLP, concluded that the unaudited consolidated financial statements for the three and six months ended July 5, 2015 included in the Company's Quarterly Report on Form 10-Q, should no longer be relied upon because the previously filed consolidated financial statements did not properly state certain accounts receivable and certain taxes (primarily the Value Added Tax Recoverable) related to the Company's Brazil operations. The adjustments to correct these errors result in: (i) as of July 5, 2015, a decrease in Accounts Receivable and Prepaid expenses and other current assets of \$1.9 million and \$0.6 million, respectively; and (ii) a decrease in both Operating Income and Net Income of \$2.5 million for the three months ended July 5, 2015.

The Company has identified other immaterial errors in the Company's consolidated financial statements related to the Brazil operations for the fiscal quarter ended April 5, 2015. The adjustments to correct these errors result in a decrease in Net Income from \$9.6 million to \$8.9 million and in Operating Income from \$13.1 million to \$12.3 million for the three months ended April 5, 2015. In addition, during the three-months ended July 5, 2015, the Company identified that it incorrectly classified certain items on the statement of cash flows for the quarter ended April 5, 2015. This resulted in overstating operating cash flows, overstating investing cash flows, and understating financing cash flows by \$2.8 million, \$0.6 million, and \$3.4 million, respectively. The Company will correct these errors in future filings where financial information for the fiscal quarter ended April 5, 2015 is included through the revision of the previously issued April 5, 2015 financial statements.

As a result of these adjustments related to the restatement and revision noted above, as of July 5, 2015, retained earnings decreased from \$263.3 million to \$260.1 million and total current assets decreased from \$460.0 million to \$456.6 million.

This Form 10-Q/A is as of the filing date of the original Form 10-Q, and it does not reflect events occurring after the filing of the original Form 10-Q, nor does it modify or update those disclosures presented therein, except with regard to the modifications described above.

Internal Control Consideration

Our management has determined that there was a control deficiency in our internal control over financial reporting that constitutes a material weakness, as discussed in Part I - Item 4 of this Amended Filing. A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis. For a discussion of management's consideration of our disclosure controls and procedures and the material weakness identified, see Part I - Item 4 included in this Amended Filing.

Items Amended in This Filing

For the convenience of the reader, this Amended Filing sets forth the Original Filing, as modified and superseded where necessary to reflect the restatement. The following items have been amended as a result of, and to reflect, the

restatement:

Part I. Financial Information

- Item 1. Financial Statements;
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations; and,
- Item 4. Controls and Procedures

Part II. Other Information

- Item 3. Exhibits

In accordance with applicable SEC rules, this Amended Filing includes new certifications required by Rule 13a-14 under the Securities and Exchange Act of 1934 ("Exchange Act") from our Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amended Filing.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CIRCOR INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(Unaudited)

	July 5, 2015 (Restated)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$55,027	\$121,372
Trade accounts receivable, less allowance for doubtful accounts of \$10,195 and \$9,536, respectively	142,786	156,738
Inventories	211,382	183,434
Prepaid expenses and other current assets	22,572	21,626
Deferred income tax asset	24,854	22,861
Total Current Assets	456,621	506,031
PROPERTY, PLANT AND EQUIPMENT, NET	91,779	96,212
OTHER ASSETS:		
Goodwill	122,797	72,430
Intangibles, net	57,094	26,887
Deferred income tax asset	14,634	19,048
Restricted cash	904	1,255
Other assets	2,472	2,859
TOTAL ASSETS	\$746,301	\$724,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$82,061	\$87,112
Accrued expenses and other current liabilities	61,172	65,223
Accrued compensation and benefits	19,336	24,728
Notes payable and current portion of long-term debt	7,450	8,423
Total Current Liabilities	170,019	185,486
LONG-TERM DEBT, NET OF CURRENT PORTION	106,628	5,261
DEFERRED INCOME TAXES	17,941	7,771
OTHER NON-CURRENT LIABILITIES	30,640	32,111
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 29,000,000 shares authorized; 16,472,599 and 17,681,955 shares issued and outstanding at July 5, 2015 and December 31, 2014, respectively	177	177
Additional paid-in capital	281,191	277,227
Retained earnings	260,112	250,635
Common treasury stock, at cost (1,254,721 shares at July 5, 2015)	(69,517))
Accumulated other comprehensive loss, net of taxes	(50,890)) (33,946)
Total Shareholders' Equity	421,073	494,093
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$746,301	\$724,722

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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CIRCOR INTERNATIONAL, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (in thousands, except per share data)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	July 5, 2015 (Restated)	June 29, 2014	July 5, 2015 (Restated)	June 29, 2014
Net revenues	\$166,906	\$207,884	\$332,766	\$419,070
Cost of revenues	116,112	148,184	229,323	294,731
GROSS PROFIT	50,794	59,700	103,443	124,339
Selling, general and administrative expenses	42,394	42,609	81,201	87,498
Special charges, net	3,310	1,257	4,821	100
OPERATING INCOME	5,090	15,834	17,421	36,741
Other expense (income):				
Interest expense, net	805	891		