

ENTEGRIS INC
Form 10-Q
October 31, 2014
Table of Contents

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 September 27, 2014
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: 001-32598

Entegris, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization) 41-1941551
(I.R.S. Employer Identification No.)

129 Concord Road, Billerica, Massachusetts
(Address of principal executive offices) 01821
(Zip Code)

(978) 436-6500
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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. (Check one):

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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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 27, 2014
Common Stock, \$0.01 par value per share	139,501,173 shares

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 FORM 10-Q
 TABLE OF CONTENTS
 FOR THE QUARTER ENDED SEPTEMBER 27, 2014

Description	Page
<u>PART I Financial Information</u>	
<u>Item 1. Unaudited Condensed Consolidated Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 27, 2014 and December 31, 2013</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 27, 2014 and September 28, 2013</u>	<u>5</u>
<u>Condensed Consolidated Statements of Comprehensive (Loss) Income for the Three and Nine Months Ended September 27, 2014 and September 28, 2013</u>	<u>6</u>
<u>Condensed Consolidated Statements of Equity for the Nine Months Ended September 27, 2014 and September 28, 2013</u>	<u>7</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 27, 2014 and September 28, 2013</u>	<u>9</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>11</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>38</u>
<u>Item 4. Controls and Procedures</u>	<u>38</u>
<u>PART II Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 1A. Risk Factors</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>42</u>
<u>Item 6. Exhibits</u>	<u>42</u>
<u>Signatures</u>	<u>43</u>
<u>Exhibit Index</u>	<u>44</u>

Cautionary Statements

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve substantial risks and uncertainties and reflect the Company’s current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “should,” “may,” “will” and “would” and similar expressions are intended to identify these “forward-looking statements.” You should read statements that contain these words carefully because they discuss future expectations, contain projections of future results of operations or of financial position or state other “forward-looking” information. All forecasts and projections in this report are “forward-looking statements,” and are based on management’s current expectations of the Company’s near-term results, based on current information available pertaining to the Company. The risks which could cause actual results to differ from those contained in such “forward looking statements” include, without limit, the risks described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 under the headings “Risks Relating to our Business and Industry”, “Manufacturing Risks”, “International Risks”, and “Risks Related to Owning Our Securities”, the risks described in Part II, Item 1A of this report, as well as in the Company’s quarterly reports on Form 10-Q and current reports on Form 8-K as filed with the Securities and Exchange Commission.

Any forward-looking statements in this Quarterly Report on Form 10-Q are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements, possibly materially. We disclaim any duty to update any forward-looking statements.

Table of Contents

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

ENTEGRIS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share data)	September 27, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$390,493	\$384,426
Short-term investments	7,930	—
Trade accounts and notes receivable, net of allowance for doubtful accounts of \$1,974 and \$1,779	175,087	101,873
Inventories	164,601	94,074
Deferred tax assets, deferred tax charges and refundable income taxes	23,450	20,844
Other current assets	21,335	11,088
Total current assets	782,896	612,305
Property, plant and equipment, net of accumulated depreciation of \$309,823 and \$283,815	316,385	186,440
Other assets:		
Goodwill	336,252	12,274
Intangible assets, net of accumulated amortization of \$134,322 and \$109,468	322,282	43,509
Deferred tax assets and other noncurrent tax assets	1,964	12,039
Other	35,441	8,727
Total assets	\$1,795,220	\$875,294
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt, current maturities	\$4,600	\$—
Accounts payable	67,095	38,396
Accrued payroll and related benefits	45,725	30,116
Interest payable	14,695	—
Other accrued liabilities	33,572	18,700
Deferred tax liabilities and income taxes payable	7,601	10,373
Total current liabilities	173,288	97,585
Long-term debt, excluding current maturities	788,249	—
Pension benefit obligations and other liabilities	25,376	15,411
Deferred tax liabilities and other noncurrent tax liabilities	50,030	5,455
Commitments and contingent liabilities		
Equity:		
Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued and outstanding as of September 27, 2014 and December 31, 2013	—	—
Common stock, par value \$.01; 400,000,000 shares authorized; issued and outstanding shares as of September 27, 2014 and December 31, 2013: 139,500,865 and 138,734,442	1,395	1,387
Additional paid-in capital	826,394	819,632
Retained deficit	(90,024)	(88,599)
Accumulated other comprehensive income	20,512	24,423
Total equity	758,277	756,843

Total liabilities and equity	\$1,795,220	\$875,294
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3

Table of Contents

See the accompanying notes to condensed consolidated financial statements.

4

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

(In thousands, except per share data)	Three months ended		Nine months ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net sales	\$273,054	\$ 164,585	\$690,436	\$ 507,199
Cost of sales	174,311	94,453	431,673	292,369
Gross profit	98,743	70,132	258,763	214,830
Selling, general and administrative expenses	55,820	31,746	172,954	99,564
Engineering, research and development expenses	24,427	13,947	61,698	39,547
Amortization of intangible assets	13,128	2,343	24,854	6,989
Contingent consideration fair value adjustment	—	(1,813)	(1,282)	(1,813)
Operating income	5,368	23,909	539	70,543
Interest expense	10,443	56	23,009	100
Interest income	(347)	(75)	(762)	(254)
Other expense (income), net	110	982	1,639	(1,141)
(Loss) income before income taxes and equity in net loss of affiliates	(4,838)	22,946	(23,347)	71,838
Income tax (benefit) expense	(3,810)	5,139	(22,012)	17,853
Equity in net loss of affiliates	40	—	90	—
Net (loss) income	\$(1,068)	\$ 17,807	\$(1,425)	\$ 53,985
Basic net (loss) income per common share	\$(0.01)	\$ 0.13	\$(0.01)	\$ 0.39
Diluted net (loss) income per common share	\$(0.01)	\$ 0.13	\$(0.01)	\$ 0.39
Weighted shares outstanding:				
Basic	139,480	138,904	139,215	139,061
Diluted	139,480	139,482	139,215	139,688

See the accompanying notes to condensed consolidated financial statements.

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
 (Unaudited)

(In thousands)	Three months ended		Nine months ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net (loss) income	\$(1,068	) \$ 17,807	\$(1,425	) \$ 53,985
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments	(8,749	) 2,105	(2,919	) (14,314
Available-for-sale investments, unrealized loss, net of tax	(393	) —	(1,037) —
Reclassification of cumulative translation adjustment associated with liquidated subsidiary	—	739	—	739
Pension liability adjustments	26	(5	) 45	52
Other comprehensive (loss) income	(9,116	) 2,839	(3,911	) (13,523
Comprehensive (loss) income	\$(10,184	) \$ 20,646	\$(5,336	) \$ 40,462

See the accompanying notes to condensed consolidated financial statements.

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
 (Unaudited)

(In thousands)	Common shares outstanding	Common stock	Additional paid-in capital	Retained deficit	Foreign currency translation adjustments	Defined benefit pension adjustments	Total	
Balance at December 31, 2012	138,458	\$1,385	\$809,514	\$(157,038)	\$41,997	\$ (1,059)	\$ 694,799	
Shares issued under stock plans	1,748	17	6,650	—	—	—	6,667	
Share-based compensation expense	—	—	5,859	—	—	—	5,859	
Repurchase and retirement of common stock	(1,539)	(15)	(8,998)	(5,813)	—	—	(14,826)	
Tax benefit associated with stock plans	—	—	1,125	—	—	—	1,125	
Pension liability adjustment, net of tax	—	—	—	—	—	52	52	
Reclassification of cumulative translation adjustment associated with liquidated subsidiary	—	—	—	—	739	—	739	
Foreign currency translation	—	—	—	—	(14,314)	—	(14,314)	
Net income	—	—	—	53,985	—	—	53,985	
Balance at September 28, 2013	138,667	\$1,387	\$814,150	\$(108,866)	\$28,422	\$ (1,007)	\$ 734,086	
(In thousands)	Common shares outstanding	Common stock	Additional paid-in capital	Retained deficit	Foreign currency translation adjustments	Available-for-sale investments, change in net unrealized losses	Defined benefit pension adjustments	Total
Balance at December 31, 2013	138,734	\$1,387	\$819,632	\$(88,599)	\$25,280	\$ —	\$(857)	\$756,843
Shares issued under stock plans, net of shares withheld for employee taxes	767	8	(593)	—	—	—	—	(585)