

TELEFLEX INC
Form 10-Q
July 30, 2014

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 June 29, 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 1-5353

TELEFLEX INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware 23-1147939
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification no.)

550 E. Swedesford Rd., Suite 400, Wayne, PA 19087
(Address of principal executive offices) (Zip Code)

(610) 225-6800

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(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 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 Act). Yes No

The registrant had 41,396,149 shares of common stock, \$1.00 par value, outstanding as of July 21, 2014.

TELEFLEX INCORPORATED

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JUNE 29, 2014

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 29,	June 30,	June 29,	June 30,
	2014	2013	2014	2013
	(Dollars and shares in thousands, except per share)			
Net revenues	\$468,105	\$420,059	\$906,651	\$831,936
Cost of goods sold	224,017	210,569	441,404	421,926
Gross profit	244,088	209,490	465,247	410,010
Selling, general and administrative expenses	146,843	116,253	287,140	243,203
Research and development expenses	14,870	16,524	28,932	31,531
Restructuring and other impairment charges	7,623	12,962	15,403	22,121
Income from continuing operations before interest and taxes	74,752	63,751	133,772	113,155
Interest expense	16,062	14,425	31,466	28,618
Interest income	(146)	(157)	(333)	(314)
Income from continuing operations before taxes	58,836	49,483	102,639	84,851
Taxes on income from continuing operations	10,006	6,082	18,540	13,749
Income from continuing operations	48,830	43,401	84,099	71,102
Operating loss from discontinued operations	(1,594)	(1,026)	(1,619)	(1,784)
Tax benefit on loss from discontinued operations	(469)	(260)	(369)	(556)
Loss from discontinued operations	(1,125)	(766)	(1,250)	(1,228)
Net income	47,705	42,635	82,849	69,874
Less: Income from continuing operations attributable to				
noncontrolling interest	453	194	639	395
Net income attributable to common shareholders	\$47,252	\$42,441	\$82,210	\$69,479
Earnings per share available to common shareholders:				
Basic:				
Income from continuing operations	\$1.17	\$1.05	\$2.02	\$1.72
Loss from discontinued operations	(0.03)	(0.02)	(0.03)	(0.03)
Net income	\$1.14	\$1.03	\$1.99	\$1.69
Diluted:				
Income from continuing operations	\$1.04	\$0.99	\$1.81	\$1.64
Loss from discontinued operations	(0.02)	(0.01)	(0.03)	(0.03)
Net income	\$1.02	\$0.98	\$1.78	\$1.61
Dividends per share	\$0.34	\$0.34	\$0.68	\$0.68

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Weighted average common shares outstanding				
Basic	41,380	41,115	41,321	41,064
Diluted	46,392	43,429	46,071	43,238
Amounts attributable to common shareholders:				
Income from continuing operations, net of tax	\$48,377	\$43,207	\$83,460	\$70,707
Loss from discontinued operations, net of tax	(1,125)	(766)	(1,250)	(1,228)
Net income	\$47,252	\$42,441	\$82,210	\$69,479

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months		Six Months Ended	
	Ended		June 29, June 30,	June 29, June 30,
	June 29, 2014	June 30, 2013	2014	2013
	(Dollars in thousands)			
Net income	\$47,705	\$42,635	\$82,849	\$69,874
Other comprehensive income (loss), net of tax:				
Foreign currency translation, net of tax of \$(531) and \$4,461, \$(3,719) and \$(1,353) for the three and six month periods, respectively	1,173	(6,100)	5,290	(32,805)
Pension and other postretirement benefit plans adjustment, net of tax of \$206, \$519, \$709 and \$1,023 for the three and six month periods, respectively	618	866	1,242	1,956
Derivatives qualifying as hedges, net of tax of \$40, \$(111), \$82, and \$(7) for the three and six month periods, respectively	73	(192)	143	(12)
Other comprehensive income (loss), net of tax:	1,864	(5,426)	6,675	(30,861)
Comprehensive income	49,569	37,209	89,524	39,013
Less: comprehensive income attributable to non-controlling				
interest	455	2	707	244
Comprehensive income attributable to common shareholders	\$49,114	\$37,207	\$88,817	\$38,769

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

TELEFLEX INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 29, 2014	December 31, 2013
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$237,382	\$ 431,984
Accounts receivable, net	301,720	295,290
Inventories, net	356,467	333,621
Prepaid expenses and other current assets	38,386	39,810
Prepaid taxes	47,641	36,504
Deferred tax assets	50,497	52,917
Assets held for sale	9,161	10,428
Total current assets	1,041,254	1,200,554
Property, plant and equipment, net	343,408	325,900
Goodwill	1,373,356	1,354,203
Intangible assets, net	1,233,905	1,255,597
Investments in affiliates	1,465	1,715
Deferred tax assets	944	943
Other assets	69,501	70,095
Total assets	\$4,063,833	\$ 4,209,007
LIABILITIES AND EQUITY		
Current liabilities		
Current borrowings	\$362,273	\$ 356,287
Accounts payable	73,533	71,967
Accrued expenses	80,040	74,868
Current portion of contingent consideration	2,959	4,131
Payroll and benefit-related liabilities	66,569	73,090
Accrued interest	9,991	8,725
Income taxes payable	21,817	23,821
Other current liabilities	35,308	22,231
Total current liabilities	652,490	635,120
Long-term borrowings	700,000	930,000
Deferred tax liabilities	517,433	514,715
Pension and postretirement benefit liabilities	102,194	109,498
Noncurrent liability for uncertain tax provisions	56,687	55,152
Other liabilities	50,650	48,506
Total liabilities	2,079,454	2,292,991
Commitments and contingencies		
Total common shareholders' equity	1,982,277	1,913,527
Noncontrolling interest	2,102	2,489
Total equity	1,984,379	1,916,016
Total liabilities and equity	\$4,063,833	\$ 4,209,007

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
	June 29, 2014	June 30, 2013
	(Dollars in thousands)	
Cash Flows from Operating Activities of Continuing Operations		
Net income	\$82,849	\$69,874
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	1,250	1,228
Depreciation expense	23,997	19,876
Amortization expense of intangible assets	32,102	24,551
Amortization expense of deferred financing costs and debt discount	7,716	7,533
Changes in contingent consideration	(6,617)	(7,926)
Stock-based compensation	5,726	5,766
Deferred income taxes, net	2,811	(3,351)
Other	(2,142)	(8,243)
Changes in operating assets and liabilities, net of effects of acquisitions and disposals:		
Accounts receivable	640	(18,084)
Inventories	(16,385)	(29,354)
Prepaid expenses and other current assets	2,407	303
Accounts payable and accrued expenses	(1,731)	1,163
Income taxes receivable and payable, net	(12,462)	(7,093)
Net cash provided by operating activities from continuing operations	120,161	56,243
Cash Flows from Investing Activities of Continuing Operations:		
Expenditures for property, plant and equipment	(30,850)	(36,897)
Proceeds from sale of assets and investments	4,139	-
Payments for businesses and intangibles acquired, net of cash acquired	(28,535)	(36,954)
Investment in affiliates	(60)	(50)
Net cash used in investing activities from continuing operations	(55,306)	(73,901)
Cash Flows from Financing Activities of Continuing Operations:		
Proceeds from long-term borrowings	250,000	-
Repayment of long-term borrowings	(480,000)	-
Debt issuance fees	(3,275)	-
Proceeds from share based compensation plans and the related tax impacts	2,391	3,892
Payments to noncontrolling interest shareholders	(1,094)	(736)
Payments for contingent consideration	-	(9,487)
Dividends	(28,093)	(27,944)
Net cash used in financing activities from continuing operations	(260,071)	(34,275)

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Cash Flows from Discontinued Operations:

Net cash used in operating activities	(1,531)	(1,437)
Net cash used in discontinued operations	(1,531)	(1,437)
Effect of exchange rate changes on cash and cash equivalents	2,145	(2,251)
Net decrease in cash and cash equivalents	(194,602)	(55,621)
Cash and cash equivalents at the beginning of the period	431,984	337,039
Cash and cash equivalents at the end of the period	\$237,382	\$281,418

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Common Stock		Additional	Retained	Accumulated	Treasury Stock		Noncontrolling	
	Shares	Dollars	Paid In Capital	Earnings	Other Comprehensive Income (Loss)	Shares	Dollars	Interest	Equity
(Dollars and shares in thousands, except per share)									
Balance at December 31, 2012	43,102	\$43,102	\$394,384	\$1,601,460	\$(132,048)	2,130	\$(127,948)	\$2,587	\$1,781,537
Net income				69,479				395	69,874
Cash dividends (\$0.68 per share)				(27,944)					(27,944)
Other comprehensive loss					(30,710)			(151)	(30,861)
Distributions to noncontrolling interest									
Shareholders Shares issued under compensation plans	97	97	7,007			(51)	2,507		9,611
Deferred compensation			(9)			(1)	55		46
Balance at June 30, 2013	43,199	\$43,199	\$401,382	\$1,642,995	\$(162,758)	2,078	\$(125,386)	\$2,095	\$1,801,527

Common Stock	Additional		Retained	Accumulated	Treasury Stock		Noncontrolling		
	Shares	Dollars	Capital	Earnings	Other Comprehensive Income (Loss)	Shares	Dollars	Interest	Equity
(Dollars and shares in thousands, except per share)									

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Balance at December 31, 2013	43,243	\$43,243	\$409,338	\$1,696,424	\$(110,855)	2,064	\$(124,623)	\$2,489	\$1,916,016
Net income				82,210				639	82,849
Cash dividends (\$0.68 per share)				(28,093)					(28,093)
Other comprehensive income					6,607			68	6,675
Distributions to noncontrolling interest								(1,094)	(1,094)
shareholders Shares issued under									
compensation plans	144	144	5,237		(70)	2,564			7,945
Deferred compensation					(2)	81			81
Balance at June 29, 2014	43,387	\$43,387	\$414,575	\$1,750,541	\$(104,248)	1,992	\$(121,978)	\$2,102	\$1,984,379