

WESCO INTERNATIONAL INC

Form 10-Q

November 03, 2017

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 30, 2017

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: 001-14989

WESCO International, Inc.

(Exact name of registrant as specified in its charter)

Delaware 25-1723342

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

225 West Station Square Drive 15219
Suite 700 (Zip Code)
Pittsburgh, Pennsylvania

(Address of principal executive offices)

(412) 454-2200

(Registrant's telephone number, including area code)

Not applicable.

(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 at least 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 November 2, 2017, 47,002,338 shares of common stock, \$0.01 par value, of the registrant were outstanding.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

The interim financial information required by this item is set forth in the Condensed Consolidated Financial Statements and Notes thereto in this Quarterly Report on Form 10-Q, as follows:

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except share data)

(unaudited)

	As of	
	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$94,083	\$ 110,131
Trade accounts receivable, net of allowance for doubtful accounts of \$24,240 and \$22,007 in 2017 and 2016, respectively	1,236,612	1,034,402
Other accounts receivable	82,588	85,019
Inventories	925,049	821,441
Prepaid expenses and other current assets (Note 2)	71,795	52,085
Total current assets	2,410,127	2,103,078
Property, buildings and equipment, net of accumulated depreciation of \$274,643 and \$259,126 in 2017 and 2016, respectively	157,591	157,607
Intangible assets, net of accumulated amortization of \$214,225 and \$178,813 in 2017 and 2016, respectively	378,153	393,362
Goodwill (Note 2)	1,776,918	1,730,950
Other assets	41,679	46,844
Total assets	\$4,764,468	\$4,431,841
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$838,427	\$ 684,721
Accrued payroll and benefit costs	50,848	49,250
Short-term debt	39,712	20,920
Current portion of long-term debt	1,213	1,218
Bank overdrafts	26,150	29,384
Other current liabilities (Note 2)	87,143	88,306
Total current liabilities	1,043,493	873,799
Long-term debt, net of debt discount and debt issuance costs of \$14,302 and \$17,278 in 2017 and 2016, respectively	1,368,301	1,363,135
Deferred income taxes (Note 2)	179,630	168,245
Other noncurrent liabilities	65,811	63,031
Total liabilities	\$2,657,235	\$2,468,210
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 20,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$.01 par value; 210,000,000 shares authorized, 59,036,037 and 58,817,781 shares issued and 46,999,652 and 48,611,497 shares outstanding in 2017 and 2016, respectively	590	588
Class B nonvoting convertible common stock, \$.01 par value; 20,000,000 shares authorized, 4,339,431 issued and no shares outstanding in 2017 and 2016, respectively	43	43
Additional capital	995,670	986,020
Retained earnings (Note 2)	2,056,961	1,914,757

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Treasury stock, at cost; 16,375,816 and 14,545,715 shares in 2017 and 2016, respectively	(647,138)	(542,537)
Accumulated other comprehensive loss (Note 2)	(295,622)	(391,971)
Total WESCO International, Inc. stockholders' equity	2,110,504	1,966,900
Noncontrolling interests	(3,271)	(3,269)
Total stockholders' equity	2,107,233	1,963,631
Total liabilities and stockholders' equity	\$4,764,468	\$4,431,841

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(In thousands of dollars, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales	\$2,000,159	\$1,855,212	\$5,682,375	\$5,542,755
Cost of goods sold (excluding depreciation and amortization)	1,614,814	1,490,173	4,580,896	4,443,079
Selling, general and administrative expenses	280,021	255,547	814,275	799,356
Depreciation and amortization	16,074	16,937	47,758	50,269
Income from operations	89,250	92,555	239,446	250,051
Interest expense, net	17,311	20,792	50,847	59,073
Loss on debt redemption	—	123,933	—	123,933
Income (loss) before income taxes	71,939	(52,170)		