

II-VI INC
Form 10-Q
May 08, 2015

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 March 31, 2015

☐ 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: 0-16195

II-VI INCORPORATED

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	25-1214948
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
375 Saxonburg Boulevard	
Saxonburg, PA	16056
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 724-352-4455

N/A

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(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 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 ☐ 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 ☒

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

At May 2, 2015, 61,066,939 shares of Common Stock, no par value, of the registrant were outstanding.

II-VI INCORPORATED

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

II-VI Incorporated and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(\$000)

	March 31, 2015	June 30, 2014
Assets		
Current Assets		
Cash and cash equivalents	\$154,703	\$174,660
Accounts receivable - less allowance for doubtful accounts of \$1,264 at March 31, 2015 and \$1,852 at June 30, 2014	134,982	136,723
Inventories	164,401	165,873
Deferred income taxes	12,193	11,118
Prepaid and refundable income taxes	7,139	4,440
Prepaid and other current assets	15,429	12,917
Total Current Assets	488,847	505,731
Property, plant & equipment, net	202,073	208,939
Goodwill	195,634	196,145
Other intangible assets, net	125,399	136,404
Investment	12,296	11,589
Deferred income taxes	5,170	4,038
Other assets	8,849	9,080
Total Assets	\$1,038,268	\$1,071,926
Liabilities and Shareholders' Equity		
Current Liabilities		
Current portion of long-term debt	\$20,000	\$20,000
Accounts payable	40,960	45,767
Accrued compensation and benefits	32,514	32,461
Accrued income taxes payable	7,641	4,584
Deferred income taxes	806	732
Other accrued liabilities	28,378	31,521
Total Current Liabilities	130,299	135,065
Long-term debt	168,002	221,960
Deferred income taxes	7,464	7,440
Other liabilities	21,641	32,418
Total Liabilities	327,406	396,883
Shareholders' Equity		
Preferred stock, no par value; authorized - 5,000,000 shares; none issued	-	-
Common stock, no par value; authorized - 300,000,000 shares; issued - 71,688,493 shares at March 31, 2015; 70,935,098 shares at June 30, 2014	226,600	213,573

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Accumulated other comprehensive income	7,517	19,406
Retained earnings	570,233	521,327
	804,350	754,306
Treasury stock, at cost - 10,564,849 shares at March 31, 2015 and 9,481,963 shares at June 30, 2014	(93,488)	(79,263)
Total Shareholders' Equity	710,862	675,043
Total Liabilities and Shareholders' Equity	\$1,038,268	\$1,071,926
- See notes to condensed consolidated financial statements.		

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Earnings (Unaudited)

(\$000 except per share data)

	Three Months Ended March 31,	
	2015	2014
Revenues		
Domestic	\$68,233	\$54,424
International	114,476	119,131
Total Revenues	182,709	173,555
Costs, Expenses and Other Expense (Income)		
Cost of goods sold	116,984	118,865
Internal research and development	12,874	12,099
Selling, general and administrative	35,192	33,848
Interest expense	844	1,412
Other expense (income), net	1,534	(1,694)
Total Costs, Expenses and Other Expense (Income)	167,428	164,530
Earnings from Continuing Operations Before Income Taxes	15,281	9,025
Income Taxes	773	494
Net Earnings	\$ 14,508	\$8,531
Basic Earnings Per Share:		
Consolidated	\$0.24	\$0.14
Diluted Earnings Per Share:		
Consolidated	\$0.23	\$0.13

- See notes to condensed consolidated financial statements.

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Earnings (Unaudited)

(\$000 except per share data)

	Nine Months Ended March 31,	
	2015	2014
Revenues		
Domestic	\$ 198,909	\$ 178,683
International	346,369	316,657
Total Revenues	545,278	495,340
Costs, Expenses and Other Expense (Income)		
Cost of goods sold	348,676	330,945
Internal research and development	38,662	31,201
Selling, general and administrative	104,354	101,412
Interest expense	3,086	3,064
Other expense (income), net	(6,079)	(2,766)
Total Costs, Expenses and Other Expense (Income)	488,699	463,856
Earnings from Continuing Operations Before Income Taxes	56,579	31,484
Income Taxes	7,673	5,823
Earnings from Continuing Operations	48,906	25,661
Earnings from Discontinued Operation, net of income tax	-	133
Net Earnings	\$48,906	\$25,794
Basic Earnings Per Share:		
Continuing Operations	\$0.80	\$0.41
Discontinued Operation	\$-	\$-
Consolidated	\$0.80	\$0.41
Diluted Earnings Per Share:		
Continuing Operations	\$0.78	\$0.40
Discontinued Operation	\$-	\$-
Consolidated	\$0.78	\$0.40

- See notes to condensed consolidated financial statements.

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(\$000)

	Three Months Ended March 31, 2015		Nine Months Ended March 31, 2015	
	2014		2014	
Net earnings	\$14,508	\$8,531	\$48,906	\$25,794
Other comprehensive income (loss):				
Foreign currency translation adjustments	(7,343)	(2,123)	(11,509)	2,250
Pension adjustment, net of taxes of \$(6) and \$101 for the three and nine months ended, respectively	22	-	(380)	-
Comprehensive income	\$7,187	\$6,408	\$37,017	\$28,044

- See notes to condensed consolidated financial statements.

II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(\$000)

	Nine Months Ended March 31,	
	2015	2014
Cash Flows from Operating Activities		
Net earnings	\$48,906	\$25,794
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Earnings from discontinued operation, net of tax	-	(133)
Depreciation	30,259	31,191
Amortization	8,983	8,234
Share-based compensation expense	8,586	9,732
Impairment of intangible assets	1,962	-
Loss on foreign currency remeasurements and transactions	1,892	380
Earnings from equity investment	(707)	(517)
Deferred income taxes	(2,104)	(1,814)
Excess tax benefits from share-based compensation expense	(404)	(522)
Increase (decrease) in cash from changes in:		
Accounts receivable	(5,972)	(17,719)
Inventories	(5,721)	3,886
Accounts payable	(3,625)	21,943
Income taxes	677	(7,810)
Other operating net assets	2,971	(5,237)
Net cash provided by operating activities:		