

AMPHENOL CORP /DE/
Form 10-Q
May 07, 2014
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

Commission file number 1-10879

AMPHENOL CORPORATION

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Delaware
(State of Incorporation)

22-2785165
(IRS Employer
Identification No.)

358 Hall Avenue

Wallingford, Connecticut 06492

203-265-8900

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 ☐

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 ☒

As of April 30, 2014, the total number of shares outstanding of Class A Common Stock was 157,138,216.

Table of Contents

Amphenol Corporation

Index to Quarterly Report

on Form 10-Q

	Page
<u>Part I</u>	
<u>Financial Information</u>	
<u>Item 1.</u>	
<u>Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013</u>	3
<u>Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2014 and 2013</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2014 and 2013</u>	5
<u>Condensed Consolidated Statements of Cash Flow for the Three Months Ended March 31, 2014 and 2013</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
<u>Item 4.</u>	
<u>Controls and Procedures</u>	20
<u>Part II</u>	
<u>Other Information</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	20
<u>Item 1A.</u>	
<u>Risk Factors</u>	20
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	21
<u>Item 4.</u>	
<u>Mine Safety Disclosures</u>	21
<u>Item 5.</u>	
<u>Other Information</u>	21
<u>Item 6.</u>	
<u>Exhibits</u>	22
<u>Signature</u>	24

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****AMPHENOL CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(dollars in thousands)**

	March 31, 2014	December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,023,320	\$ 886,838
Short-term investments	276,133	305,324
Total cash, cash equivalents and short-term investments	1,299,453	1,192,162
Accounts receivable, less allowance for doubtful accounts of \$11,487 and \$12,010, respectively	971,576	1,001,012
Inventories	772,710	792,644
Other current assets	160,728	171,749
Total current assets	3,204,467	3,157,567
Land and depreciable assets, less accumulated depreciation of \$826,344 and \$803,954, respectively	538,715	532,425
Goodwill and other long-term assets	2,487,021	2,478,036
	\$ 6,230,203	\$ 6,168,028
Liabilities & Equity		
Current Liabilities:		
Accounts payable	\$ 479,786	\$ 549,942
Accrued salaries, wages and employee benefits	99,680	104,859
Accrued income taxes	97,223	96,388
Accrued dividends	31,416	
Other accrued expenses	147,054	157,252
Short-term debt	701,045	701,437
Total current liabilities	1,556,204	1,609,878
Long-term debt	1,522,570	1,431,437
Accrued pension and post-employment benefit obligations	184,201	180,021
Other long-term liabilities	71,366	66,620
Equity:		
Common stock	157	158
Additional paid-in capital	514,522	489,930
Retained earnings	2,430,310	2,424,372
Accumulated other comprehensive loss	(69,541)	(54,951)
Total shareholders' equity attributable to Amphenol Corporation	2,875,448	2,859,509

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Noncontrolling interests	20,414	20,563
Total equity	2,895,862	2,880,072
	\$ 6,230,203	\$ 6,168,028

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Net sales	\$ 1,246,074	\$ 1,079,805
Cost of sales	857,218	741,913
Gross profit	388,856	337,892
Acquisition-related expenses	2,020	
Selling, general and administrative expense	154,701	130,935
Operating income	232,135	206,957
Interest expense	(19,071)	(15,457)
Other income, net	4,065	2,785
Income before income taxes	217,129	194,285
Provision for income taxes	(57,327)	(40,672)
Net income	159,802	153,613
Less: Net income attributable to noncontrolling interests	(1,319)	(606)
Net income attributable to Amphenol Corporation	\$ 158,483	\$ 153,007
Net income per common share-Basic	\$ 1.01	\$ 0.96
Weighted average common shares outstanding-Basic	157,528,482	159,738,168
Net income per common share-Diluted	\$ 0.98	\$ 0.94
Weighted average common shares outstanding-Diluted	161,177,156	162,713,002
Dividends declared per common share	\$ 0.200	\$ 0.105

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Net income	\$ 159,802	\$ 153,613
Total other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(15,251)	(24,707)
Revaluation of derivatives	253	28
Total other comprehensive loss, net of tax	(14,998)	(24,679)
Total comprehensive income	144,804	128,934
Less: Comprehensive income attributable to noncontrolling interests	(911)	(683)
Comprehensive income attributable to Amphenol Corporation	\$ 143,893	\$ 128,251

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Cash from operating activities:		
Net income	\$ 159,802	\$ 153,613
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	39,873	32,592
Stock-based compensation expense	9,276	8,283
Excess tax benefits from stock-based compensation payment arrangements	(2,652)	(8,720)
Net change in components of working capital	(10,197)	(12,135)
Net change in other long-term assets and liabilities	6,557	6,621
Net cash provided by operating activities	202,659	180,254
Cash from investing activities:		
Additions to property, plant and equipment	(54,176)	(29,685)
Proceeds from disposals of fixed assets	538	802
Purchases of short-term investments	(120,728)	(110,744)
Sales and maturities of short-term investments	144,951	75,488
Acquisitions, net of cash acquired	(8,978)	201
Net cash used in investing activities	(38,393)	(63,938)
Cash from financing activities:		
Issuance of senior notes	748,846	
Borrowings under credit facilities	142,800	101,300
Repayments under credit facilities	(801,074)	(119,215)
Payments of fees and expenses related to debt financing	(5,750)	
Proceeds from exercise of stock options	13,724	30,682
Excess tax benefits from stock-based compensation payment arrangements	2,652	8,720
Payments to shareholders of noncontrolling interests	(1,052)	(1,247)
Purchase and retirement of treasury stock	(121,130)	(85,300)
Net cash used in financing activities	(20,984)	(65,060)
Effect of exchange rate changes on cash and cash equivalents	(6,800)	(7,113)
Net change in cash and cash equivalents	136,482	44,143
Cash and cash equivalents balance, beginning of period	886,838	690,850
Cash and cash equivalents balance, end of period	\$ 1,023,320	\$ 734,993
Cash paid for:		
Interest	\$ 13,327	\$ 12,740
Income taxes	48,827	38,852

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AMPHENOL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(dollars in thousands, except per share data)

Note 1 Basis of Presentation and Principles of Consolidation

The condensed consolidated balance sheets as of March 31, 2014 and December 31, 2013 and the related condensed consolidated statements of income, comprehensive income and cash flow for the three months ended March 31, 2014 and 2013 include the accounts of Amphenol Corporation and its subsidiaries (the Company). All material intercompany balances and transactions have been eliminated in consolidation. The condensed consolidated financial statements included herein are unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America have been included. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements and the related notes should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the 2013 Annual Report).

Note 2 New Accounting Pronouncements

There are no accounting standards that were recently issued that materially impact the Company as of March 31, 2014. The Company will continue to evaluate all new accounting standards as they are issued to determine if they impact the Company's financial condition, results of operations and cash flows.

Note 3 Inventories

Inventories consist of:

	March 31, 2014	December 31, 2013
Raw materials and supplies	\$ 262,866	\$ 261,867
Work in process	267,917	265,196
Finished goods	241,927	265,581
	\$ 772,710	\$ 792,644

Note 4 Reportable Business Segments

The Company has two reportable business segments: (i) Interconnect Products and Assemblies and (ii) Cable Products and Solutions. We aggregate our operating segments into reportable segments based upon similar economic characteristics and business groupings of products, services and customers. The Interconnect Product and Assemblies segment designs, manufactures and markets a broad range of connector and connector systems, value-added products and other products, including antennas and sensors, used in a broad range of applications in a diverse set of end markets. The Cable Products and Solutions segment designs, manufactures and markets cable, value-added products and components for use primarily in the broadband communications and information technology markets as well as certain applications in other markets. The accounting policies of the segments are the same as those for the Company as a whole and are described in Note 1 of the notes to the consolidated financial statements in the Company's 2013 Annual Report. The Company evaluates the performance of business units on, among other things, profit or loss from operations before interest, headquarters expense allocations, stock-based compensation expense, income taxes, amortization related to certain intangible assets and nonrecurring gains and losses.

Table of Contents

The segment results for the three months ended March 31, 2014 and 2013 are as follows:

	Interconnect Products and Assemblies		Cable Products and Solutions		Total	
	2014	2013	2014	2013	2014	2013
Net sales:						
-External	\$ 1,159,110	\$ 995,926	\$ 86,964	\$ 83,879	\$ 1,246,074	\$ 1,079,805
-Inter-segment	1,114	1,294	5,339	5,267	6,453	6,561
Segment operating income	242,836	213,301	10,581	11,600	253,417	224,901

A reconciliation of segment operating income to consolidated income before income taxes for the three months ended March 31, 2014 and 2013 is summarized as follows:

	Three months ended March 31,	
	2014	2013
Segment operating income	\$ 253,417	\$ 224,901
Interest expense	(19,071)	(15,457)
Interest income	4,445	3,095
Stock-based compensation expense	(9,276)	(8,283)
Acquisition-related expenses	(2,020)	
Other costs, net	(10,366)	(9,971)
Income before income taxes	\$ 217,129	\$ 194,285

Note 5 Changes in Equity and Noncontrolling Interests

Net income attributable to noncontrolling interests is classified below net income. Earnings per share is determined after the impact of the noncontrolling interests share in net income of the Company. In addition, the equity attributable to noncontrolling interests is presented as a separate caption within equity.

A rollforward of consolidated changes in equity for the three months ended March 31, 2014 is as follows:

	Common Stock		Amphenol Corporation Shareholders				Treasury Stock	Noncontrolling Interests	Total Equity
	Shares (in millions)	Amount	Additional Paid- In Capital	Retained Earnings	Accum. Other Comprehensive Loss				
Balance as of December 31, 2013	158	\$ 158	\$ 489,930	\$ 2,424,372	\$ (54,951)	\$	\$	20,563	\$ 2,880,072
Net income				158,483				1,319	159,802
Other comprehensive income					(14,590)			(408)	(14,998)

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Payments to shareholders of noncontrolling interests										(1,052)		(1,052)
Purchase of noncontrolling interest										(8)		(8)
Purchase of treasury stock									(121,130)			(121,130)
Retirement of treasury stock	(1)		(1)			(121,129)			121,130			
Stock options exercised, including tax benefit					15,316							15,316
Dividends declared						(31,416)						(31,416)
Stock-based compensation expense					9,276							9,276
Balance as of March 31, 2014	157	\$	157	\$	514,522	\$	2,430,310	\$	(69,541)	\$	20,414	\$ 2,895,862

Table of Contents

A rollforward of consolidated changes in equity for the three months ended March 31, 2013 is as follows:

	Amphenol Corporation Shareholders								
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accum. Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity	
Shares (in millions)	Amount								
Balance as of December 31, 2012	160	\$ 160	\$ 336,683	\$ 2,210,120	\$ (117,004)	\$	\$ 12,223	\$ 2,442,182	
Net income				153,007			606	153,613	
Other comprehensive income					(24,756)		77	(24,679)	
Payments to shareholders of noncontrolling interests							(1,247)	(1,247)	
Purchase of treasury stock						(85,300)		(85,300)	
Retirement of treasury stock	(1)	(1)		(85,299)		85,300			
Stock options exercised, including tax benefit	1	1	40,969					40,970	
Dividends declared				(16,755)				(16,755)	
Stock-based compensation expense			8,283					8,283	
Balance as of March 31, 2013	160	\$ 160	\$ 385,935	\$ 2,261,073	\$ (141,760)	\$	\$ 11,659	\$ 2,517,067	

Note 6 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to Amphenol Corporation by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income attributable to Amphenol Corporation by the weighted-average number of common shares and dilutive common shares issuable upon the exercise of outstanding stock options. A reconciliation of the basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the three months ended March 31, 2014 and 2013 is as follows (dollars in thousands, except per share amounts):

	Three months ended March 31,	
	2014	2013
Net income attributable to Amphenol Corporation shareholders	\$ 158,483	\$ 153,007
Basic weighted average common shares outstanding	157,528,482	159,738,168
Effect of dilutive stock options	3,648,674	2,974,834
Diluted weighted average common shares outstanding	161,177,156	162,713,002
Earnings per share attributable to Amphenol Corporation shareholders:		
Basic	\$ 1.01	\$ 0.96
Diluted	\$ 0.98	\$ 0.94

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Excluded from the computations above were anti-dilutive stock options of 2,764,633 and 1,263,518 for the three months ended March 31, 2014 and 2013, respectively.

Note 7 Commitments and Contingencies

The Company has been named as a defendant in several legal actions in which various amounts are claimed arising from normal business activities. Although the amount of any ultimate liability with respect to such matters cannot be precisely determined, in the opinion of management, such matters are not expected to have a material effect on the Company's financial condition, results of operations or cash flows.

Certain operations of the Company are subject to environmental laws and regulations which govern the discharge of pollutants into the air and water, as well as the handling and disposal of solid and hazardous wastes. The Company believes that its operations are currently in substantial compliance with applicable environmental laws and regulations and that the costs of continuing compliance will not have a material effect on the Company's financial condition, results of operations or cash flows.

Subsequent to the acquisition of Amphenol from Allied Signal Corporation (Allied Signal) in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 (Honeywell)), the Company and Honeywell were named jointly and severally liable as potentially responsible parties in connection with several environmental cleanup sites. The Company and Honeywell jointly consented to perform certain investigations and remediation and monitoring activities at two sites, the Route 8 landfill and the Richardson Hill Road landfill, and they were jointly ordered to perform work at another site, the Sidney landfill. The costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement (the Honeywell Agreement) entered into in connection with the acquisition in 1987. The environmental investigation, remediation and monitoring activities identified by the Company, including those referred to above, are covered under the Honeywell Agreement. Management does not

Table of Contents

believe that the costs associated with resolution of these or any other environmental matters will have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

Note 8 Stock-Based Compensation

In May 2009, the Company adopted the 2009 Stock Purchase and Option Plan for Key Employees of Amphenol and its Subsidiaries (the "2009 Employee Option Plan"). The Company continues to maintain the 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (the "2000 Employee Option Plan"). No additional stock options can be granted under the 2000 Employee Option Plan. The 2009 Employee Option Plan authorizes the granting of additional stock options by a committee of the Company's Board of Directors. As of March 31, 2014, there were 2,375,110 shares of common stock available for the granting of additional stock options under the 2009 Employee Option Plan. Options granted under the 2000 Employee Option Plan and the 2009 Employee Option Plan generally vest ratably over a period of five years and are generally exercisable over a period of ten years from the date of grant.

In 2004, the Company adopted the 2004 Stock Option Plan for Directors of Amphenol Corporation (the "2004 Directors Option Plan"). The 2004 Directors Option Plan is administered by the Company's Board of Directors. As of March 31, 2014, there were 70,000 shares of common stock available for the granting of additional stock options under the 2004 Directors Option Plan, although no additional stock options are expected to be granted under this plan. Options granted under the 2004 Directors Option Plan generally vest ratably over a period of three years and are generally exercisable over a period of ten years from the date of grant.

In May 2012, the Company adopted the 2012 Restricted Stock Plan for Directors of Amphenol Corporation (the "2012 Directors Restricted Stock Plan"). The 2012 Directors Restricted Stock Plan is administered by the Company's Board of Directors. As of March 31, 2014, the number of restricted shares available for grant under the 2012 Directors Restricted Stock Plan was 95,131. Restricted shares granted under the 2012 Directors Restricted Stock Plan generally vest on the first anniversary of the grant date. Grants under the 2012 Directors Restricted Stock Plan entitle the holder to receive shares of the Company's common stock without payment.

The grant-date fair value of each option grant under the 2000 Employee Option Plan, the 2009 Employee Option Plan and the 2004 Directors Option Plan is estimated using the Black-Scholes option pricing model. The grant-date fair value of each restricted share grant is determined based on the closing share price of the Company's stock on the date of the grant. The fair value is then amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Use of a valuation model for option grants requires management to make certain assumptions with respect to selected model inputs. Expected share price volatility is calculated based on the historical volatility of the stock of the Company and implied volatility derived from related exchange traded options. The average expected life is based on the contractual term of the option and expected exercise and historical post-vesting termination experience. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The expected annual dividend per share is based on the Company's dividend rate.

Stock-based compensation expense includes the estimated effects of forfeitures, which are adjusted over the requisite service period to the extent actual forfeitures differ or are expected to differ from such estimates. Changes in estimated forfeitures are recognized in the period of change and impact the amount of expense to be recognized in future periods. For the three months ended March 31, 2014, the Company's income before income taxes and net income were reduced for stock-based compensation expense by \$9,276 and \$6,804, respectively. For the three months ended March 31, 2013, the Company's income before income taxes and net income were reduced for stock-based compensation expense by \$8,283 and \$6,031, respectively. The expense incurred for stock-based compensation is included in selling, general and administrative expense in the accompanying Condensed Consolidated Statements of Income.

Table of Contents*Stock Options*

Stock option activity for the three months ended March 31, 2014 was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2014	13,422,226	\$ 51.80	7.08	\$ 501,706
Options granted	32,500	89.13		
Options exercised	(314,966)	40.41		
Options forfeited	(51,460)	59.80		
Options outstanding at March 31, 2014	13,088,300	52.14	6.89	517,164
Vested and non-vested options expected to vest at March 31, 2014	11,928,448	\$ 51.50	6.80	\$ 478,893
Exercisable options at March 31, 2014	5,097,339	\$ 41.15	5.36	\$ 257,418

A summary of the status of the Company's non-vested options as of March 31, 2014 and changes during the three months then ended is as follows:

	Options	Weighted Average Fair Value at Grant Date
Non-vested options at January 1, 2014	8,016,921	\$ 14.77
Options granted	32,500	21.23
Options vested	(7,000)	16.98
Options forfeited	(51,460)	14.82
Non-vested options at March 31, 2014	7,990,961	14.79

During the three months ended March 31, 2014 and 2013, the following activity occurred under the Company's option plans:

	2014	Three months ended March 31,	2013
Total intrinsic value of stock options exercised	\$ 15,560	\$ 40,542	
Total fair value of stock options vested	119	135	

As of March 31, 2014, the total compensation cost related to non-vested options not yet recognized is approximately \$76,647 with a weighted average expected amortization period of 3.22 years.

Restricted Shares

Prior to the third quarter of 2013, the Company issued 17,045 restricted shares with a weighted-average fair value at grant date of \$53.78 per share, all of which became fully vested in 2013. Additionally, in the second quarter of 2013, the Company issued 12,824 restricted shares with a weighted average fair value at grant date of \$78.00. As of March 31, 2014, the total compensation cost related to non-vested restricted shares not yet recognized was approximately \$155 with a weighted average expected amortization period of 0.15 years.

Note 9 Shareholders Equity

In January 2013, the Board of Directors authorized a stock repurchase program under which the Company may repurchase up to 10,000,000 shares of its common stock during the two year period ending January 31, 2015 (the 2013 Stock Repurchase Program). The price and timing of any such purchases under the 2013 Stock Repurchase Program after March 31, 2014 will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, economic and market conditions and stock price. During the three months ended March 31, 2014, the Company repurchased 1,410,983 shares of its common stock for \$121,130. These treasury shares have been retired by the Company and common stock and retained earnings were reduced accordingly. Through April 30, 2014, the Company has repurchased an additional 167,592 shares of its common stock for \$15,891. At April 30, 2014, approximately 4.1 million additional shares of common stock may be repurchased under the 2013 Stock Repurchase Program.

Table of Contents

Contingent upon declaration by the Board of Directors, the Company generally pays a quarterly dividend on its common stock. In July 2013, the Board of Directors approved an increase in the quarterly dividend rate from \$0.105 to \$0.20 per share effective with the third quarter 2013 dividend. For the three months ended March 31, 2014, the Company did not pay any dividends and declared dividends in the amount of \$31,416 which were paid in April 2014. For the three months ended March 31, 2013, the Company did not pay any dividends and declared dividends in the amount of \$16,755.

Note 10 Benefit Plans and Other Postretirement Benefits

The Company and certain of its domestic subsidiaries have defined benefit pension plans (the U.S. Plans), which cover certain U.S. employees and which represent the majority of the assets and benefit obligations of the aggregate defined benefit plans of the Company. The U.S. Plans benefits are generally based on years of service and compensation and are generally noncontributory. Certain U.S. employees not covered by the U.S. Plans are covered by defined contribution plans. Certain foreign subsidiaries have defined benefit plans covering their employees (the International Plans and, together with the U.S. Plans, the Plans). The following is a summary, based on the most recent actuarial valuations of the Company's net cost for pension benefits, of the Plans and other postretirement benefits for the three months ended March 31, 2014 and 2013.

	Pension Benefits		Other Postretirement Benefits	
	2014	Three months ended March 31, 2013	2014	2013
Service cost	\$ 2,046	\$ 2,112	\$ 28	\$ 40
Interest cost	6,017	5,207	123	127
Expected return on plan assets	(7,133)	(6,203)		
Amortization of transition obligation	(24)	(27)		
Amortization of prior service cost	673	495		
Amortization of net actuarial losses	4,013	5,905	105	193
Net pension expense	\$ 5,592	\$ 7,489	\$ 256	\$ 360

For the three months ended March 31, 2014, the Company did not make a cash contribution to the U.S. Plans and estimates that, based on current actuarial calculations, it will make aggregate cash contributions to the Plans in 2014 of approximately \$20,000, the majority of which will be to the U.S. Plans. The timing and amount of cash contributions in subsequent years will depend on a number of factors, including the investment performance of the Plan assets.

The Company offers various defined contribution plans for certain U.S. and foreign employees. Participation in these plans is based on certain eligibility requirements. The Company matches the majority of employee contributions to U.S. defined contribution plans with cash contributions up to a maximum of 5% of eligible compensation. During the three months ended March 31, 2014 and 2013, the total matching contributions to these U.S. defined contribution plans were approximately \$941 and \$830, respectively.

Note 11 Goodwill and Other Intangible Assets

As of March 31, 2014, the Company has goodwill totaling \$2,302,359, of which \$2,186,945 is related to the Interconnect Products and Assemblies segment with the remainder related to the Cable Products and Solutions segment. For the three months ended March 31, 2014,

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

goodwill increased by \$13,274, primarily as a result of fair value adjustments made from the Company's evaluation of the fair value attributes of the assets acquired related to recent acquisitions. The Company anticipates that the final assessment of values of those assets will not differ materially from the preliminary assessment.

Other than goodwill and an indefinite-lived trade name intangible asset with a value of approximately \$4,300, the Company's intangible assets are subject to amortization. A summary of the Company's amortizable intangible assets as of March 31, 2014 and December 31, 2013 is as follows:

	March 31, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$ 201,200	\$ 75,100	\$ 202,300	\$ 69,800
Proprietary technology	52,300	23,400	52,300	22,400
License agreements	6,000	6,000	6,000	6,000
Trade names and other	11,400	10,900	11,400	8,900
Total	\$ 270,900	\$ 115,400	\$ 272,000	\$ 107,100

Table of Contents

Customer relationships, proprietary technology, license agreements and trade names and other amortizable intangible assets have weighted average useful lives of approximately 9 years, 14 years, 8 years and 15 years, respectively, for an aggregate weighted average useful life of approximately 10 years.

Intangible assets are included in Goodwill and other long-term assets in the accompanying Condensed Consolidated Balance Sheets. The amortization expense for the three months ended March 31, 2014 and 2013 was approximately \$8,300 and \$5,000, respectively. As of March 31, 2014, amortization expense estimated for each of the next five fiscal years is approximately \$27,000 in 2014, \$24,500 in 2015, \$23,700 in 2016, \$23,500 in 2017, and \$19,400 in 2018.

Note 12 Debt

Revolving Credit Facility

The Company has a \$1,500,000 unsecured credit facility (the *Revolving Credit Facility*) with a maturity date of July 2018. At March 31, 2014, borrowings and availability under the *Revolving Credit Facility* were \$270,000 and \$1,230,000, respectively. As of March 31, 2014, the interest rate on borrowings under the *Revolving Credit Facility* was at a spread over LIBOR. The *Revolving Credit Facility* requires payment of certain annual agency and commitment fees and requires that the Company satisfy certain financial covenants.

Senior Notes

In November 2009, the Company issued \$600,000 principal amount of unsecured 4.75% Senior Notes due November 2014 (the *4.75% Senior Notes*) at 99.813% of their face value. Interest on the *4.75% Senior Notes* is payable semi-annually on May 15 and November 15 of each year to the holders of record as of the immediately preceding May 1 and November 1. The Company may, at its option, redeem some or all of the *4.75% Senior Notes* at any time by paying a make-whole premium, plus accrued and unpaid interest, if any, to the date of repurchase. The *4.75% Senior Notes* are unsecured and rank equally in right of payment with the Company's other unsecured senior indebtedness. The fair value of the *4.75% Senior Notes* at March 31, 2014 was approximately \$615,900 based on recent bid prices in an active market and are therefore classified as Level 1 in the fair value hierarchy.

In January 2012, the Company issued \$500,000 principal amount of unsecured 4.00% Senior Notes due February 2022 (the *4.00% Senior Notes*) at 99.746% of their face value. Interest on the *4.00% Senior Notes* is payable semi-annually on February 1 and August 1 of each year, to the holders of record as of the immediately preceding January 15 and July 15. The Company may, at its option, redeem some or all of the *4.00% Senior Notes* at any time by paying 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of repurchase, and if redeemed prior to November 1, 2021, a make-whole premium. The *4.00% Senior Notes* are unsecured and rank equally in right of payment with the Company's other unsecured senior indebtedness. The fair value of the *4.00% Senior Notes* at March 31, 2014 was approximately \$503,200 based on recent bid prices in an active market and are therefore classified as Level 1 in the fair value hierarchy.

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

In January 2014, the Company issued \$750,000 principal amount of unsecured 2.55% Senior Notes due January 2019 (the 2.55% Senior Notes) at 99.846% of their face value. Interest on the 2.55% Senior Notes is payable semi-annually on January 30 and July 30 of each year, commencing July 30, 2014, to the holders of record as of the immediately preceding January 15 and July 15. The Company may, at its option, redeem some or all of the 2.55% Senior Notes at any time by paying 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and if redeemed prior to December 30, 2018, a make-whole premium. The 2.55% Senior Notes are unsecured and rank equally in right of payment with the Company's other unsecured senior indebtedness. The fair value of the 2.55% Senior Notes at March 31, 2014 was approximately \$750,375 based on recent bid prices in an active market and are therefore classified as Level 1 in the fair value hierarchy.

Credit Agreement

The Company has a \$100,000 uncommitted and unsecured credit facility with the ability to borrow at a spread over LIBOR, which is renewable annually (the Credit Agreement). At March 31, 2014, borrowings and availability under the Credit Agreement were \$100,000 and nil, respectively.

The carrying value of borrowings under the Company's Revolving Credit Facility and Credit Agreement approximated their fair value at March 31, 2014 due to their relative short-term maturities and market interest rates and are therefore classified as Level 2 in the fair value hierarchy.

Table of Contents**Note 13 Fair Value Measurements**

The Company follows the framework within the *Fair Value Measurements and Disclosures* topic of the Accounting Standards Codification, which requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. These requirements establish market or observable inputs as the preferred source of values. Assumptions based on hypothetical transactions are used in the absence of market inputs. The Company does not have any non-financial instruments accounted for at fair value on a recurring basis.

The valuation techniques required are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Significant inputs to the valuation model are unobservable.

The Company believes that the assets or liabilities subject to such standards with fair value disclosure requirements are derivative instruments. The Company's derivative instruments represent forward contracts, which are valued using bank quotations based on market observable inputs such as forward and spot rates and are therefore classified as Level 2 in the fair value hierarchy. The impact of the credit risk related to these financial assets is immaterial. The fair values of the Company's financial and non-financial assets and liabilities subject to such standards at March 31, 2014 and December 31, 2013 are as follows:

Fair Value Measurements at March 31, 2014				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Forward contracts	\$ (3,401)	\$	\$ (3,401)	\$
Total	\$ (3,401)	\$	\$ (3,401)	\$

Fair Value Measurements at December 31, 2013				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Forward contracts	\$ (2,169)	\$	\$ (2,169)	\$

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Total	\$	(2,169)	\$	\$	(2,169)	\$
-------	----	---------	----	----	---------	----

The Company does not have any significant financial or non-financial assets and liabilities that are measured at fair value on a non-recurring basis.

Note 14 Derivative Instruments

The Company is exposed to certain risks related to its ongoing business operations. The primary risks managed by using derivative instruments are foreign exchange rate risk and interest rate risk. Foreign exchange rate forward contracts were entered into in 2013 to manage the currency exposures on intercompany loans used to fund recent acquisitions. The hedges will terminate in 2014 upon maturity of the respective intercompany loans.

Derivative instruments are required to be recognized as either assets or liabilities at fair value in the Consolidated Balance Sheets. The Company designates foreign exchange rate forward contracts as cash flow hedges.

Table of Contents

As of March 31, 2014 and December 31, 2013, the Company had the following derivative activity related to cash flow hedges:

		Fair Value Assets	
	Balance Sheet Location	March 31, 2014	December 31, 2013
Derivatives designated as cash flow hedges:			
Forward contracts	Other accrued expenses	\$ (3,401)	\$ (2,169)
Total derivatives designated as cash flow hedging instruments		\$ (3,401)	\$ (2,169)

The amount recognized in accumulated other comprehensive income (loss) associated with foreign exchange rate forward contracts and the amount reclassified from accumulated other comprehensive income (loss) to foreign exchange gain (loss) in the accompanying Condensed Consolidated Statements of Income during the three month periods ended March 31, 2014 and 2013 was not material.

Note 15 Income Taxes

The provision for income taxes for the first quarter of 2014 and 2013 was at an effective rate of 26.4% and 20.9%, respectively. In the first quarter of 2013, the Company recorded a benefit of \$11,300, or \$0.07 per diluted common share, resulting from the delay, by the U.S. government, in the reinstatement of certain federal income tax provisions for the year 2012 relating primarily to research and development credits and certain U.S. taxes on foreign income that are part of the tax provisions within the American Taxpayer Relief Act. Such tax provisions were reinstated on January 2, 2013 with retroactive effect to 2012. Under U.S. GAAP, the related benefit to the Company of \$11,300 relating to the 2012 tax year was recorded as a benefit in the first quarter of 2013 at the date of reinstatement; as such, between the fourth quarter of 2012 and the first quarter of 2013, there was no net impact on the Company from an income statement perspective. Excluding this impact as well as the net impact of the acquisition-related expenses, the Company's effective tax rate for the first quarter of 2014 and 2013 was 26.5% and 26.8%, respectively.

The Company is present in the U.S. and numerous foreign taxable jurisdictions, and at any point in time has numerous audits underway at various stages of completion. With few exceptions, the Company is subject to income tax examinations by tax authorities for the years 2010 and after. The Company is generally not able to precisely estimate the ultimate settlement amounts or timing until the close of an audit. The Company evaluates its tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the Company's belief that the underlying tax positions are fully supportable. As of March 31, 2014, the amount of the liability for unrecognized tax benefits, which if recognized would impact the effective tax rate, was approximately \$15,628, the majority of which is included in other long-term liabilities in the accompanying Condensed Consolidated Balance Sheets. Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted for changing facts and circumstances, including progress of tax audits and closing of statutes of limitations. Based on information currently available, management anticipates that over the next twelve month period, audit activity could be completed and statutes of limitations may close relating to existing unrecognized tax benefits of approximately \$2,732.

Table of Contents

Item 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(dollars in millions, unless otherwise noted, except per share data)**

Results of Operations

Three months ended March 31, 2014 compared to the three months ended March 31, 2013

Net sales were \$1,246.1 in the first quarter of 2014 compared to \$1,079.8 in the prior year quarter, an increase of 15% in both U.S. dollars and in local currencies and 7% organically (excluding the impact of foreign exchange and acquisitions) over the prior year quarter. Sales in the Interconnect Products and Assemblies segment in the first quarter of 2014 (approximately 93% of sales) increased 16% in both U.S. dollars and in local currencies compared to the same period in 2013 (\$1,159.1 in 2014 versus \$995.9 in 2013). The sales growth was driven by increases in the industrial, automotive, mobile networks, commercial aerospace, information technology and data communications equipment markets with contributions from both organic growth and the Company's acquisition program, partially offset by decreases in sales to the mobile device and military aerospace markets. Sales in the Cable Products and Solutions segment in the first quarter of 2014 (approximately 7% of sales) increased 4% in U.S. dollars and 5% in local currencies compared to the same period in 2013 (\$87.0 in 2014 versus \$83.9 in 2013). Cable Products and Solutions sales are primarily in the broadband communications market.

Geographically, sales in the United States in the first quarter of 2014 increased approximately 10%, compared to the same period in 2013 (\$385.5 in 2014 versus \$349.4 in 2013). International sales in the first quarter of 2014 increased approximately 18% in U.S. dollars and 17% in local currencies compared to the same period in 2013 (\$860.6 in 2014 versus \$730.4 in 2013). The comparatively weaker U.S. dollar for the first quarter of 2014 had the effect of increasing sales by approximately \$7.0 when compared to foreign currency translation rates for the same period in 2013.

Operating income in the first quarter of 2014 was \$232.1 or 18.6% of sales. Operating income in the first quarter of 2014 is net of \$2.0 of acquisition-related expenses (separately presented in the Consolidated Statements of Income) related to the amortization of the value associated with acquired backlog relating to a 2013 acquisition. For the three months ended March 31, 2014, these expenses had an impact on net income of \$1.3, or \$0.01 per share. Excluding these expenses, operating income was \$234.1 million or 18.8% of sales in the first quarter of 2014, down approximately 40 basis points from operating income of \$207.0 or 19.2% of sales in the first quarter of 2013. The decline in operating income as a percentage of sales relates primarily to a decrease in operating income margins in the Interconnect Products and Assemblies segment of 40 basis points compared to the prior year quarter (\$242.8 or 21.0% of sales in 2014 versus \$213.3 or 21.4% of sales in 2013). This decrease in operating income margin relates to the impact of the inclusion, for the full quarter in 2014, of an acquisition completed in late 2013 that has lower operating income margins than the average of the Company; as such its inclusion in the consolidated results of the Company lowered the consolidated operating income margin percentage. In addition, the operating income for the Cable Products and Solutions segment for the first quarter of 2014 decreased by approximately \$3.2 and 160 basis points compared to the prior year quarter (\$10.6 or 12.2% of sales in 2014 versus \$11.6 or 13.8% of sales in 2013), due primarily to the impact of market pricing and product mix compared to the prior year quarter.

The gross profit margin as a percentage of sales was comparable at approximately 31% in both the first quarter of 2014 and 2013.

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Selling, general and administrative expenses increased to \$154.7 or 12.4% of net sales for the first quarter of 2014, compared to \$130.9, or 12.1% of net sales for the same period in 2013. The percent of net sales increase in the first quarter of 2014 compared to the first quarter of 2013 is primarily due to higher selling, general and administrative expenses on a percent of net sales basis arising from the inclusion of the acquisition referred to above as compared to the average of the Company. Administrative expenses increased approximately \$11.1 for the first quarter of 2014 compared to the same period in 2013, related to the impact of acquisitions as well as increases in stock-based compensation expense and employee-related benefits and represented approximately 4.8% and 4.4% of net sales for the first quarter of 2014 and 2013, respectively. Research and development expenses increased approximately \$5.5 for the first quarter of 2014 compared to the same period in 2013, related to the impact of acquisitions as well as increases in expenses for new product development and represented approximately 2.4% and 2.3% of net sales for the first quarter of 2014 and 2013. Selling and marketing expenses increased approximately \$7.1 for the first quarter of 2014 compared to the same period in 2013, related to the impact of acquisitions and an increase in sales volume and represented 5.2% and 5.4% of net sales for the first quarter of 2014 and 2013, respectively.

Interest expense for the first quarter of 2014 was \$19.1, compared to \$15.5 for the same period in 2013. The increase is primarily attributable to higher average debt levels related to the Company's stock repurchase program as well as acquisition activity.

Other income, net, increased to \$4.1 for the first quarter of 2014, compared to \$2.8 for the same period in 2013, primarily related to higher interest income on higher levels of cash, cash equivalents and short-term investments.

Table of Contents

The provision for income taxes for the first quarter of 2014 and 2013 was at an effective rate of 26.4% and 20.9%, respectively. In the first quarter of 2013, the Company recorded a benefit of \$11.3, or \$0.07 per diluted common share, resulting from the delay, by the U.S. government, in the reinstatement of certain federal income tax provisions for the year 2012 relating primarily to research and development credits and certain U.S. taxes on foreign income that are part of the tax provisions within the American Taxpayer Relief Act. Such tax provisions were reinstated on January 2, 2013 with retroactive effect to 2012. Under U.S. GAAP, the related benefit to the Company of \$11.3 relating to the 2012 tax year was recorded as a benefit in the first quarter of 2013 at the date of reinstatement; as such, between the fourth quarter of 2012 and the first quarter of 2013, there was no net impact on the Company from an income statement perspective. Excluding this impact as well as the net impact of the acquisition-related expenses, the Company's effective tax rate for the first quarter of 2014 and 2013 was 26.5% and 26.8%, respectively.

The Company is present in the U.S. and numerous foreign taxable jurisdictions, and at any point in time has numerous audits underway at various stages of completion. With few exceptions, the Company is subject to income tax examinations by tax authorities for the years 2010 and after. The Company is generally not able to precisely estimate the ultimate settlement amounts or timing until the close of an audit. The Company evaluates its tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the Company's belief that the underlying tax positions are fully supportable. As of March 31, 2014, the amount of the liability for unrecognized tax benefits, which if recognized would impact the effective tax rate, was approximately \$15.6, the majority of which is included in other long-term liabilities in the accompanying Condensed Consolidated Balance Sheets. Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted for changing facts and circumstances, including progress of tax audits and closing of statutes of limitations. Based on information currently available, management anticipates that over the next twelve month period, audit activity could be completed and statutes of limitations may close relating to existing unrecognized tax benefits of approximately \$2.7.

Liquidity and Capital Resources

Cash flow provided by operating activities was \$202.7 in the first three months of 2014 compared to \$180.3 in the same 2013 period. The increase in cash flow provided by operating activities for the first three months of 2014 compared to the same 2013 period is primarily due to an increase in net income and a lower increase in the components of working capital. The components of working capital as presented on the accompanying Condensed Consolidated Statements of Cash Flow increased \$10.2 in the first three months of 2014 due primarily to a decrease in accounts payable of \$63.2, which was partially offset by a decrease in accounts receivable, inventory and other current assets of \$24.9, \$17.9 and \$11.2, respectively. The components of working capital as presented on the accompanying Condensed Consolidated Statements of Cash Flow increased \$12.1 in the first three months of 2013 due primarily to decreases in accounts payable and other accrued liabilities and an increase in other current assets of \$49.7, \$18.1 and \$6.6, respectively, which were partially offset by a decrease in accounts receivable and inventory of \$43.8 and \$18.6, respectively.

The following describes the significant changes in the amounts as presented on the accompanying Condensed Consolidated Balance Sheets at March 31, 2014. Accounts receivable decreased \$29.4, or 2.9% to \$971.6 primarily due to higher collections in the first quarter and translation resulting from the comparatively weaker U.S. dollar at March 31, 2014 compared to December 31, 2013 (Translation). Inventories decreased \$19.9, or 2.5% to \$772.7 primarily as a result of a reduction in purchasing activity. Land and depreciable assets, net, increased \$6.3 to \$538.7 primarily due to net capital expenditures of \$53.6, offset by depreciation of \$30.5, adjustments to the fair value related to recent acquisitions and Translation. Goodwill increased \$13.3 to \$2,302.4 primarily as a result of fair value adjustments made from the Company's evaluation of the fair value attributes of the assets acquired related to recent acquisitions offset by Translation. Accounts payable decreased \$70.2, or 12.8% to \$479.8, primarily as a result of payments to vendors and a reduction in purchasing activity. Total accrued expenses increased \$16.8 to \$375.4, primarily due to the accrual of dividends declared in March 2014 that were paid in April 2014, accrued interest on the Senior Notes partially offset by the payment of incentive compensation during the quarter and lower accrued wages.

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

For the first three months of 2014, cash flow provided by operating activities of \$202.7, net borrowings of \$84.8, sales of short-term investments of \$24.2 and proceeds from the exercise of stock options including tax benefits from stock-based payment arrangements of \$16.4 were used to fund purchases of treasury stock of \$121.1, capital expenditures (net of disposals) of \$53.6, acquisition-related payments of \$9.0 and payments to shareholders of noncontrolling interests of \$1.1, which resulted in an increase in cash and cash equivalents including the impact of Translation of \$136.5. For the first three months of 2013, cash flow provided by operating activities of \$180.3 and proceeds from the exercise of stock options including tax benefits from stock-based payment arrangements of \$39.4 were used to fund net repayments under credit facilities of \$17.9, purchases of treasury stock of \$85.3, capital expenditures (net of disposals) of \$28.9, net purchases of short-term investments of \$35.3, and payments to shareholders of noncontrolling interests of \$1.2, which resulted in an increase in cash and cash equivalents including the impact of Translation of \$44.1.

Table of Contents

The Company has a \$1,500.0 unsecured credit facility (the Revolving Credit Facility) with a maturity date of July 2018. At March 31, 2014, borrowings and availability under the Revolving Credit Facility were \$270.0 and \$1,230.0, respectively. As of March 31, 2014, the interest rate on borrowings under the Revolving Credit Facility was at a spread over LIBOR. The Revolving Credit Facility requires payment of certain annual agency and commitment fees and requires that the Company satisfy certain financial covenants. At March 31, 2014, the Company was in compliance with the financial covenants under the Revolving Credit Facility.

In November 2009, the Company issued \$600.0 principal amount of unsecured 4.75% Senior Notes due November 2014 (the 4.75% Senior Notes) at 99.813% of their face value. Net proceeds from the sale of the 4.75% Senior Notes were used to repay borrowings under the Company's Revolving Credit Facility. Interest on the 4.75% Senior Notes is payable semi-annually on May 15 and November 15 of each year to the holders of record as of the immediately preceding May 1 and November 1. The Company may, at its option, redeem some or all of the 4.75% Senior Notes at any time by paying a make-whole premium, plus accrued and unpaid interest, if any, to the date of repurchase. The 4.75% Senior Notes are unsecured and rank equally in right of payment with the Company's other unsecured senior indebtedness. The fair value of the 4.75% Senior Notes at March 31, 2014 was approximately \$615.9 based on recent bid prices.

In January 2012, the Company issued \$500.0 principal amount of unsecured 4.00% Senior Notes due February 2022 (the 4.00% Senior Notes) at 99.746% of their face value. Net proceeds from the sale of the 4.00% Senior Notes were used to repay borrowings under the Company's Revolving Credit Facility. Interest on the 4.00% Senior Notes is payable semi-annually on February 1 and August 1 of each year, to the holders of record as of the immediately preceding January 15 and July 15. The Company may, at its option, redeem some or all of the 4.00% Senior Notes at any time by paying 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of repurchase, and if redeemed prior to November 1, 2021, a make-whole premium. The 4.00% Senior Notes are unsecured and rank equally in right of payment with the Company's other unsecured senior indebtedness. The fair value of the 4.00% Senior Notes at March 31, 2014 was approximately \$503.2 based on recent bid prices.

In January 2014, the Company issued \$750.0 principal amount of unsecured 2.55% Senior Notes due January 2019 (the 2.55% Senior Notes) at 99.846% of their face value. Net proceeds from the sale of the 2.55% Senior Notes in the amount of \$748.8 were used to repay borrowings under the Company's Revolving Credit Facility. Interest on the 2.55% Senior Notes is payable semi-annually on January 30 and July 30 of each year, commencing July 30, 2014, to the holders of record as of the immediately preceding January 15 and July 15. The Company may, at its option, redeem some or all of the 2.55% Senior Notes at any time by paying 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and if redeemed prior to December 30, 2018, a make-whole premium. The 2.55% Senior Notes are unsecured and rank equally in right of payment with the Company's other unsecured senior indebtedness. The fair value of the 2.55% Senior Notes at March 31, 2014 was approximately \$750.4 based on recent bid prices.

The Company has a \$100.0 uncommitted and unsecured credit facility with the ability to borrow at a spread over LIBOR, which is renewable annually (the Credit Agreement). At March 31, 2014, borrowings and availability under the Credit Agreement were \$100.0 and nil, respectively.

The carrying value of borrowings under the Company's Revolving Credit Facility and Credit Agreement approximated their fair value at March 31, 2014.

The Company's primary ongoing cash requirements will be for operating and capital expenditures, product development activities, repurchase of its common stock, funding of pension obligations, dividends and debt service. The Company may also use cash to fund all or part of the cost of acquisitions. The Company generally pays a quarterly dividend on its common stock. In July 2013, the Board of Directors approved an increase in the quarterly dividend rate from \$0.105 to \$0.20 per share effective with the third quarter 2013 dividend. For the three months ended

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

March 31, 2014, the Company did not pay any dividends and declared dividends in the amount of \$31.4 which were paid in April 2014. For the three months ended March 31, 2013, the Company did not pay any dividends and declared dividends in the amount of \$16.8. The Company's debt service requirements consist primarily of principal and interest on the Senior Notes, the Revolving Credit Facility and the Credit Agreement.

The Company's primary sources of liquidity are internally generated cash flow, the Company's credit facilities, and cash, cash equivalents and short-term investments. The Company expects that ongoing cash requirements will be funded from these sources; however, the Company's sources of liquidity could be adversely affected by, among other things, a decrease in demand for the Company's products or a deterioration in certain of the Company's financial ratios. However, management believes that the Company's cash, cash equivalents and short-term investment position, ability to generate strong cash flow from operations, and availability under its credit facilities will allow it to meet its obligations for the next twelve months.

In January 2013, the Company's Board of Directors authorized a stock repurchase program under which the Company may repurchase up to 10 million shares of its common stock during the two year period ending January 31, 2015 (the 2013 Stock

Table of Contents

Repurchase Program). The price and timing of any such purchases under the 2013 Stock Repurchase Program after March 31, 2014 will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, economic and market conditions and stock price. During the three months ended March 31, 2014, the Company repurchased 1.4 million shares of its common stock for approximately \$121.1. These treasury shares have been retired by the Company and common stock and retained earnings were reduced accordingly.

For the three months ended March 31, 2014, the Company did not make a cash contribution to the U.S. defined benefit pension plans and estimates that, based on current actuarial calculations; it will make aggregate cash contributions to its defined benefit pension plans in 2014 of approximately \$20.0, the majority of which is to the U.S. defined benefit pension plans. The timing and amount of cash contributions in subsequent years will depend on a number of factors, including the investment performance of the plan assets.

Environmental Matters

Certain operations of the Company are subject to environmental laws and regulations which govern the discharge of pollutants into the air and water, as well as the handling and disposal of solid and hazardous wastes. The Company believes that its operations are currently in substantial compliance with applicable environmental laws and regulations and that the costs of continuing compliance will not have a material effect on the Company's financial condition, result of operations or cash flows.

Owners and occupiers of sites containing hazardous substances, as well as generators of hazardous substances, are subject to broad liability under various environmental laws and regulations, including expenditures for cleanup and monitoring costs and potential damages arising out of past disposal activities. Such liability in many cases may be imposed regardless of fault or the legality of the original disposal activity. The Company has performed remediation activities and is currently performing operations and maintenance and monitoring activities at three off-site disposal sites previously utilized by the Company's facility in Sidney, New York, and others - the Richardson Hill Road landfill, the Route 8 landfill and the Sidney landfill. Actions at the Richardson Hill Road and Sidney landfills were undertaken subsequent to designation as

Superfund sites on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. The Route 8 landfill was designated as a New York State Inactive Hazardous Waste Disposal Site, with remedial actions taken pursuant to Chapter 6, Section 375-1 of the New York Code of Rules and Regulations. In addition, the Company is currently performing monitoring activities at, and in proximity to, its manufacturing site in Sidney, New York. The Company is also engaged in remediating or monitoring environmental conditions at certain of its other manufacturing facilities and has been named as a potentially responsible party for cleanup costs at other off-site disposal sites.

Subsequent to the acquisition of Amphenol from Allied Signal Corporation (Allied Signal) in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 (Honeywell)), the Company and Honeywell were named jointly and severally liable as potentially responsible parties in connection with several environmental cleanup sites. The Company and Honeywell jointly consented to perform certain investigations and remediation and monitoring activities at the Route 8 landfill and the Richardson Hill Road landfill, and they were jointly ordered to perform work at the Sidney landfill, all as referred to above. All of the costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement (the Honeywell Agreement) entered into in connection with the acquisition in 1987. The environmental investigation, remediation and monitoring activities identified by the Company, including those referred to above, are covered under the Honeywell Agreement. Management does not believe that the costs associated with resolution of these or any other environmental matters will have a material effect on the Company's consolidated financial condition, result of operations or cash flows.

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Since 1987, the Company has not been identified nor has it been named as a potentially responsible party with respect to any other significant on-site or off-site hazardous waste matters. In addition, the Company believes that its manufacturing activities and disposal practices since 1987 have been in material compliance with applicable environmental laws and regulations. Nonetheless, it is possible that the Company will be named as a potentially responsible party in the future with respect to additional Superfund or other sites. Although the Company is unable to predict with any reasonable certainty the extent of its ultimate liability with respect to any pending or future environmental matters, the Company believes, based upon information currently known by management about the Company's manufacturing activities, disposal practices and estimates of liability with respect to known environmental matters, that any such liability will not have a material effect on the Company's consolidated financial condition, result of operations or cash flows.

Safe Harbor Statement

Statements in this Form 10-Q, which are other than historical facts, are intended to be forward-looking statements within the meaning of the Securities Exchange Act of 1934, the Private Securities Litigation Reform Act of 1995 and other related laws. While the Company believes such statements are reasonable, the actual results and effects could differ materially from those currently anticipated. Please refer to Part I, Item 1A of the Company's 2013 Annual Report, for some factors that could cause the actual results

Table of Contents

to differ from estimates. In providing forward-looking statements, the Company is not undertaking any duty or obligation to update these statements publicly as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company, in the normal course of doing business, is exposed to the risks associated with foreign currency exchange rates and changes in interest rates. There has been no material change in the Company's assessment of its sensitivity to foreign currency exchange rate risk since its presentation set forth in Part II, Item 7A Quantitative and Qualitative Disclosures About Market Risk in its 2013 Annual Report. As of March 31, 2014, the Company's average LIBOR rate was 0.15%. A 10% change in the LIBOR interest rate at March 31, 2014 would have no material effect on interest expense. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2014, although there can be no assurances that interest rates will not significantly change.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act) as of the period covered by this report. Based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and such information is accumulated and communicated to management, including the Company's principal executive and financial officers, to allow timely decisions regarding required disclosure. There has been no change in the Company's internal controls over financial reporting during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company has been named as a defendant in several legal actions in which various amounts are claimed arising from normal business activities. Although the amount of any ultimate liability with respect to such matters cannot be precisely determined, in the opinion of management, such matters are not expected to have a material adverse effect on the Company's financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes to the Company's risk factors as disclosed in Part I, Item 1A of the Company's 2013 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchase of Equity Securities

In January 2013, the Company's Board of Directors authorized a stock repurchase program under which the Company may repurchase up to 10 million shares of its common stock during the two year period ending January 31, 2015 (the 2013 Stock Repurchase Program). The price and timing of any such purchases under the 2013 Stock Repurchase Program after March 31, 2014 will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, economic and market conditions and stock price. During the three months ended March 31, 2014, the Company repurchased 1.4 million shares of its common stock for approximately \$121.1 million. These treasury shares have been retired by the Company and common stock and retained earnings were reduced accordingly. Through April 30, 2014, the Company has repurchased an additional 0.2 million shares of its common stock for \$15.9 million. At April 30, 2014, approximately 4.1 million additional shares of common stock may be repurchased under the 2013 Stock Repurchase Program.

Table of Contents

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 to January 31, 2014	693,000	\$	86.14	693,000	5,021,305
February 1 to February 28, 2014	709,389		85.54	709,389	4,311,916
March 1 to March 31, 2014	8,594		86.95	8,594	4,303,322
Total	1,410,983	\$	85.84	1,410,983	4,303,322

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

- 3.1 Amphenol Corporation, Amended and Restated By-Laws, dated May 24, 2012 (filed as Exhibit 3.1 to the June 30, 2012 10-Q).*
- 3.2 Amended and Restated Certificate of Incorporation of Amphenol Corporation, dated April 24, 2000 (filed as Exhibit 3.1 to the Form 8-K filed on April 28, 2000).*
- 3.3 Second Certificate of Amendment of Amended and Restated Certificate of Incorporation of Amphenol Corporation, dated May 23, 2007 (filed as Exhibit 3.4 to the December 31, 2007 10-K).*
- 3.4 Third Certificate of Amendment of Amended and Restated Certificate of Incorporation of Amphenol Corporation, dated May 24, 2012 (filed as Exhibit 3.2 to the June 30, 2012 10-Q).*
- 4.1 Indenture, dated as of November 5, 2009, between Amphenol Corporation and the Bank of New York Mellon, as trustee (filed as Exhibit 4.1 to the Form 8-K filed on November 5, 2009).*
- 4.2 Officers Certificate, dated November 5, 2009, establishing the 4.75% Senior Notes due 2014 pursuant to the Indenture (filed as Exhibit 4.2 to the Form 8-K filed on November 5, 2009).*
- 4.3 Officers Certificate, dated January 26, 2012, establishing the 4.00% Senior Notes due 2022 pursuant to the Indenture (filed as Exhibit 4.2 to the Form 8-K filed on January 26, 2012).*
- 10.1 Officers Certificate, dated January 30, 2014, establishing the 2.55% Senior Notes Pursuant to the Indenture (filed as Exhibit 4.2 to the Form 8-K filed January 30, 2014).*
- 10.2 Purchase and Sales Agreement dated as of July 31, 2006 among the Originators named therein, Amphenol Funding Corp. and the Company (filed as Exhibit 10.13 to the June 30, 2006 10-Q).*
- 10.3 Fourth Amended 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.20 to the June 30, 2007 10-Q).*
- 10.4 Form of 2000 Management Stockholders Agreement as of May 24, 2007 (filed as Exhibit 10.25 to the June 30, 2007 10-Q).*
- 10.5 Form of 2000 Non-Qualified Stock Option Grant Agreement Amended as of May 24, 2007 (filed as Exhibit 10.28 to the June 30, 2007 10-Q).*
- 10.6 2009 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.7 to the June 30, 2009 10-Q).*
- 10.7 Form of 2009 Non-Qualified Stock Option Grant Agreement dated as of May 20, 2009 (filed as Exhibit 10.8 to the June 30, 2009 10-Q).*
- 10.8 Form of 2009 Management Stockholders Agreement dated as of May 20, 2009 (filed as Exhibit 10.9 to the June 30, 2009 10-Q).*
- 10.9 The 2012 Restricted Stock Plan for Directors of Amphenol Corporation dated May 24, 2012 (filed as Exhibit 10.15 to the June 30, 2012 10-Q).*
- 10.10 2012 Restricted Stock Plan for Directors of Amphenol Corporation Restricted Share Award Agreement dated May 24, 2012 (filed as Exhibit 10.16 to the June 30, 2012 10-Q).*
- 10.11 Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2011 (filed as Exhibit 10.25 to the December 31, 2010 10-K).*
- 10.12 First Amendment to Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2011, dated May 23, 2012 (filed as Exhibit 10.18 to the June 30, 2012 10-Q).*
- 10.13 Second Amendment to Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2011, dated August 14, 2012 (filed as Exhibit 10.19 to the September 30, 2012 10-Q).*
- 10.14 Third Amendment to Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2011, dated December 19, 2012 (filed as Exhibit 10.18 to the December 31, 2012 10-K).*
- 10.15 Fourth Amendment to Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2011, dated April 24, 2013 (filed as Exhibit 10.19 to the March 31, 2013 10-Q).*
- 10.16 Fifth Amendment to Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2011 dated December 11, 2013 (filed as Exhibit 10.19 to the December 31, 2013 10-K).*
- 10.17 Amended and Restated Amphenol Corporation Supplemental Employee Retirement Plan (filed as Exhibit 10.24 to the December 31, 2008 10-K).*
- 10.18 Amphenol Corporation Directors Deferred Compensation Plan (filed as Exhibit 10.11 to the December 31, 1997 10-K).*
- 10.19 The 2004 Stock Option Plan for Directors of Amphenol Corporation (filed as Exhibit 10.44 to the June 30, 2004 10-Q).*
- 10.20 The Amended 2004 Stock Option Plan for Directors of Amphenol Corporation (filed as Exhibit 10.29 to the June 30, 2008 10-Q).*
- 10.21 2011 Amphenol Corporation Management Incentive Plan (filed as Exhibit 10.37 to the December 31, 2010 10-K).*
- 10.22 2012 Amphenol Corporation Management Incentive Plan (filed as Exhibit 10.22 to the December 31, 2011 10-K).*
- 10.23 2013 Amphenol Corporation Management Incentive Plan (filed as Exhibit 10.25 to the December 31, 2012 10-K).*

10.24 2014 Amphenol Corporation Management Incentive Plan (filed as Exhibit 10.28 to the December 31, 2013 10-K).*

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-Q

Table of Contents

10.25	2009 Amphenol Corporation Executive Incentive Plan (filed as Exhibit 10.32 to the March 31, 2009 10-Q).*
10.26	Credit Agreement, dated as of August 13, 2010, among the Company, certain subsidiaries of the Company, a syndicate of financial institutions and Bank of America, N.A. acting as the administrative agent (filed as Exhibit 10.1 to the Form 8-K filed on August 18, 2010).*
10.27	First Amendment to Credit Agreement, dated as of June 30, 2011, among the Company, certain subsidiaries of the Company, a syndicate of financial institutions and Bank of America, N.A. acting as the administrative agent (filed as Exhibit 10.38 to the June 30, 2011 10-Q).*
10.28	Continuing Agreement for Standby Letters of Credit between the Company and Deutsche Bank dated March 4, 2009 (filed as Exhibit 10.36 to the March 31, 2009 10-Q).*
10.29	Agreement and Plan of Merger among Amphenol Acquisition Corporation, Allied Corporation and the Company, dated April 1, 1987, and the Amendment thereto dated as of May 15, 1987 (filed as Exhibit 2 to the 1987 Registration Statement).*
10.30	Settlement Agreement among Allied Signal Inc., the Company and LPL Investment Group, Inc. dated November 28, 1988 (filed as Exhibit 10.20 to the 1991 Registration Statement).*
10.31	The Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement as amended and restated effective March 1, 2010 (filed as Exhibit 10.50 to the March 31, 2010 10-Q).*
10.32	The Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement as amended and restated effective July 1, 2011 (filed as Exhibit 10.51 to the June 30, 2011 10-Q).*
10.33	The Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement as amended and restated effective August 16, 2011 (filed as Exhibit 10.29 to the September 30, 2011 10-Q).*
10.34	The Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement as amended and restated effective December 14, 2011 (filed as Exhibit 10.32 to the December 31, 2011 10-K).*
10.35	First Amendment to The Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement as amended and restated effective December 14, 2011, dated March 30, 2012 (filed as Exhibit 10.36 to the June 30, 2012 10-Q).*
10.36	Second Amendment to The Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement as amended and restated effective December 14, 2011, dated April 10, 2012 (filed as Exhibit 10.37 to the June 30, 2012 10-Q).*
10.37	Third Amendment to The Amphenol Corporation Profit Sharing/401(K) Plan Adoption Agreement as amended and restated effective October 1, 2013, dated September 20, 2013 (filed as Exhibit 10.40 to the December 31, 2013 10-K).*
10.38	Restated Amphenol Corporation Supplemental Defined Contribution Plan (filed as Exhibit 10.30 to the September 30, 2011 10-Q).*
10.39	Amphenol Corporation Supplemental Defined Contribution Plan as amended and restated effective January 1, 2012 (filed as Exhibit 10.34 to the December 31, 2011 10-K).*
10.40	Second Amendment to Credit Agreement, dated as of July 1, 2013, among the Company, certain subsidiaries of the Company, a syndicate of financial institutions and JPMorgan Chase, N.A. acting as the administrative agent (filed as Exhibit 10.1 to the Form 8-K filed on July 8, 2013).*
10.41	Credit Agreement, dated October 7, 2013, among the Company, certain subsidiaries of the Company and Sovereign Bank, N.A. with an effective date of October 18, 2013 (filed as Exhibit 10.1 to the Form 8-K filed on October 21, 2013).*
31.1	Certification pursuant to Exchange Act Rules 13a-14 and 15d-14; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
31.2	Certification pursuant to Exchange Act Rules 13a-14 and 15d-14; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.**
101.DEF	XBRL Taxonomy Extension Definition Document.**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.**

* Incorporated herein by reference as stated.

** Filed herewith.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMPHENOL CORPORATION

By:

/s/ Diana G. Reardon
Diana G. Reardon
*Authorized Signatory
and Principal Financial Officer*

Date: May 7, 2014