BELDEN INC.
Form 10-Q
May 10, 2016

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 April 3, 2016

Commission File No. 001-12561

BELDEN INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-3601505**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 North Brentwood Boulevard

15th Floor

St. Louis, Missouri 63105

(Address of principal executive offices)

(314) 854-8000

Registrant s telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act 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 þ No ¨.

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 þ No ¨.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ.

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 þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

(Do not check if a smaller reporting company)

As of May 5, 2016, the Registrant had 42,071,617 outstanding shares of common stock.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements
BELDEN INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	April 3, 2016 (Unaudited)	December 31, 2015
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 146,264	$ 216,751
Receivables, net	346,210	387,386
Inventories, net	215,947	195,942
Other current assets	44,489	37,079
Total current assets	752,910	837,158
Property, plant and equipment, less accumulated depreciation	316,435	310,629
Goodwill	1,406,058	1,385,115
Intangible assets, less accumulated amortization	642,939	655,871
Deferred income taxes	36,481	34,295
Other long-lived assets	68,772	67,534
	$ 3,223,595	$ 3,290,602
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 208,921	$ 223,514
Accrued liabilities	281,392	323,249
Current maturities of long-term debt	2,500	2,500
Total current liabilities	492,813	549,263
Long-term debt	1,689,664	1,725,282
Postretirement benefits	107,054	105,230
Deferred income taxes	49,341	46,034
Other long-term liabilities	45,416	39,270
Stockholders equity:		
Preferred stock	-	-
Common stock	503	503
Additional paid-in capital	606,591	605,660
Retained earnings	694,119	679,716
Accumulated other comprehensive loss	(60,705)	(58,987)
Treasury stock	(402,524)	(402,793)

Total Belden stockholders equity	837,984	824,099
Noncontrolling interest	1,323	1,424
Total stockholders equity	839,307	825,523
	$ 3,223,595	$ 3,290,602

The accompanying notes are an integral part of these Consolidated Financial Statements

BELDEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended April 3, 2016	Three Months Ended March 29, 2015
	(In thousands, except per share data)	
Revenues	$ 541,497	$ 546,957
Cost of sales	(316,462)	(339,308)
Gross profit	225,035	207,649
Selling, general and administrative expenses	(122,406)	(140,048)
Research and development	(36,133)	(36,199)
Amortization of intangibles	(25,532)	(26,504)
Operating income	40,964	4,898
Interest expense, net	(24,396)	(23,846)
Income (loss) before taxes	16,568	(18,948)
Income tax expense	(143)	(688)
Net income (loss)	16,425	(19,636)
Less: Net loss attributable to noncontrolling interest	(99)	-
Net income (loss) attributable to Belden stockholders	$ 16,524	$ (19,636)
Weighted average number of common shares and equivalents:		
Basic	42,008	42,535
Diluted	42,440	42,535
Basic income (loss) per share attributable to Belden stockholders	$ 0.39	$ (0.46)
Diluted income (loss) per share attributable to Belden stockholders	$ 0.39	$ (0.46)
Comprehensive income (loss) attributable to Belden stockholders	$ 14,806	$ (5,723)
Dividends declared per share	$ 0.05	$ 0.05

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

BELDEN INC.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

(Unaudited)

	Three Months Ended	
	April 3, 2016	March 29, 2015
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 16,425	$ (19,636)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	37,195	38,045
Share-based compensation	4,100	5,006
Tax deficiency (benefit) related to share-based compensation	67	(3,690)
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	45,098	10,341
Inventories	(16,625)	(18,211)
Accounts payable	(17,187)	(34,562)
Accrued liabilities	(52,607)	(23,965)
Accrued taxes	(6,395)	(50)
Other assets	(1,226)	(2,406)
Other liabilities	3,834	923
Net cash provided by (used for) operating activities	12,679	(48,205)
Cash flows from investing activities:		
Cash used to acquire businesses, net of cash acquired	(15,348)	(695,345)
Capital expenditures	(13,431)	(15,456)
Proceeds from disposal of tangible assets	10	6
Net cash used for investing activities	(28,769)	(710,795)
Cash flows from financing activities:		
Payments under borrowing arrangements	(50,625)	-
Withholding tax payments for share-based payment awards, net of proceeds from the exercise of stock options	(2,833)	(10,842)
Cash dividends paid	(2,101)	(2,140)
Tax benefit (deficiency) related to share-based compensation	(67)	3,690
Borrowings under credit arrangements	-	200,000
Debt issuance costs paid	-	(622)
Net cash provided by (used for) financing activities	(55,626)	190,086
Effect of foreign currency exchange rate changes on cash and cash equivalents	1,229	(5,548)
Decrease in cash and cash equivalents	(70,487)	(574,462)

Cash and cash equivalents, beginning of period		216,751		741,162
Cash and cash equivalents, end of period	$	146,264	$	166,700

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

BELDEN INC.

CONDENSED CONSOLIDATED STOCKHOLDERS EQUITY STATEMENT

THREE MONTHS ENDED APRIL 3, 2016

(Unaudited)

	Belden Inc. Stockholders								
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Tot
	Shares	Amount			Shares	Amount			
	(In thousands)								
t r 31,	50,335	$ 503	$ 605,660	$ 679,716	(8,354)	$ (402,793)	$ (58,987)	$ 1,424	$ 8
ne	-	-	-	16,524	-	-	-	(99)	
n, net illion	-	-	-	-	-	-	(2,185)	(2)	
ents to nd ment net of on tax	-	-	-	-	-	-	467	-	
ensive f tax									
of ions, ng s	-	-	(49)	-	2	(14)	-	-	
on of stock stock,	-	-	(3,053)	-	77	283	-	-	

ng s													
sed ation	-		-	4,033		-	-		-		-	-	
s r	-		-	-		(2,121)	-		-		-	-	
t 016	50,335	$	503	$ 606,591	$	694,119	(8,275)	$	(402,524)	$	(60,705)	$ 1,323	$ 8

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

BELDEN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements include Belden Inc. and all of its subsidiaries (the Company, us, we, or our). We eliminate all significant affiliate accounts and transactions in consolidation.

The accompanying Condensed Consolidated Financial Statements presented as of any date other than December 31, 2015:

- Are prepared from the books and records without audit, and
- Are prepared in accordance with the instructions for Form 10-Q and do not include all of the information required by accounting principles generally accepted in the United States for complete statements, but
- Include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial statements.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2015 Annual Report on Form 10-K.

Business Description

We are an innovative signal transmission solutions provider built around five global business platforms Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound, and video for mission critical applications.

Reporting Periods

Our fiscal year and fiscal fourth quarter both end on December 31. Our fiscal first quarter ends on the Sunday falling closest to 91 days after December 31, which was April 3, 2016, the 94th day of our fiscal year 2016. Our fiscal second and third quarters each have 91 days. The three months ended March 29, 2015 included 88 days.

Reclassifications

We have made certain reclassifications to the 2015 Condensed Consolidated Financial Statements with no impact to reported net income in order to conform to the 2016 presentation.

Fair Value Measurement

Accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets, or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of and during the three months ended April 3, 2016 and March 29, 2015, we utilized Level 1 inputs to determine the fair value of cash equivalents, and we utilized Level 2 and Level 3 inputs to determine the fair value of net assets acquired in business combinations (see Note 2). We did not have any transfers between Level 1 and Level 2 fair value measurements during the three months ended April 3, 2016 and March 29, 2015.

Cash and Cash Equivalents

We classify cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. We periodically have cash equivalents consisting of short-term money market funds and other investments. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations. We do not enter into investments for trading or speculative purposes. We did not have any significant cash equivalents as of April 3, 2016.

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable, the amounts of which are currently not material. We accrue environmental remediation costs based on estimates of known environmental remediation exposures developed in consultation with our environmental consultants and legal counsel. We are, from time to time, subject to routine litigation incidental to our business. These lawsuits primarily involve claims for damages arising out of the use of our products, allegations of patent or trademark infringement, and litigation and administrative proceedings involving employment matters and commercial disputes. Based on facts currently available, we believe the disposition of the claims that are pending or asserted will not have a materially adverse effect on our financial position, results of operations, or cash flow.

As of April 3, 2016, we were party to standby letters of credit, bank guaranties, and surety bonds totaling $9.1 million, $3.0 million, and $2.4 million, respectively.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer s purchase order or sales agreement. At times, we enter into arrangements that involve the delivery of multiple elements. For these arrangements, when the elements can be separated, the revenue is allocated to each deliverable based on that element s relative selling price and recognized based on the period of delivery for each element. Generally, we determine relative selling price using our best estimate of selling price, unless we have established vendor specific objective evidence (VSOE) or third party evidence of fair value exists for such arrangements.

We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We record revisions to these estimates in the period in which the facts that give rise to each revision become known.

We have certain products subject to the accounting guidance on software revenue recognition. For such products, software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable, collection is probable and VSOE of the fair value of undelivered elements exists. As substantially all of the software licenses are sold in multiple-element arrangements that include either support and maintenance or both support and maintenance and professional services, we use the residual method to determine the amount of software license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as software license revenue. In our Network Security Solutions segment, we have established VSOE of the fair value of support and maintenance, subscription-based software licenses and professional services. Software license revenue is generally recognized upon delivery of the software if all revenue recognition criteria are met.

Revenue allocated to support services under our Network Security Solutions support and maintenance contracts is paid in advance and recognized ratably over the term of the service. Revenue allocated to subscription-based software and remote ongoing operational services is also paid in advance and recognized ratably over the term of the service. Revenue allocated to professional services, including remote implementation services, is recognized as the services are performed.

Subsequent Events

We have evaluated subsequent events after the balance sheet date through the financial statement issuance date for appropriate accounting and disclosure.

Current-Year Adoption of Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-03, *Interest   Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for fiscal years beginning after December 15,