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MSA Safety Inc  
Form 10-Q  
October 20, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the quarter ended September 30, 2017  
Commission File No. 1-15579

MSA SAFETY INCORPORATED  
(Exact name of registrant as specified in its charter)

Pennsylvania 46-4914539  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

1000 Cranberry Woods Drive 16066-5207  
Cranberry Township, Pennsylvania  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (724) 776-8600

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 and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting Emerging growth company   
company)

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

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

As of October 17, 2017, 38,031,977 shares of common stock, of the registrant were outstanding.



## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## MSA SAFETY INCORPORATED

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

Unaudited

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(In thousands, except per share amounts)	2017	2016	2017	2016
Net sales	\$296,129	\$278,233	\$850,669	\$853,499
Cost of products sold	163,630	149,471	464,842	468,177
Gross profit	132,499	128,762	385,827	385,322
Selling, general and administrative	72,409	72,945	222,334	227,856
Research and development	12,351	13,116	35,282	34,623
Restructuring charges (Note 4)	3,214	1,889	16,920	3,697
Currency exchange losses, net	562	790	3,994	2,498
Other operating expense (Note 18)	3,346	—	32,956	—
Operating income	40,617	40,022	74,341	116,648
Interest expense	3,961	4,412	10,566	12,515
Other income, net	(981)	(2,041)	(2,061)	(3,704)
Total other expense, net	2,980	2,371	8,505	8,811
Income from continuing operations before income taxes	37,637	37,651	65,836	107,837
Provision for income taxes (Note 10)	5,411	11,329	6,306	38,866
Income from continuing operations	32,226	26,322	59,530	68,971
(Loss) income from discontinued operations (Note 19)	—	(1,300)	—	55
Net income	32,226	25,022	59,530	69,026
Net income attributable to noncontrolling interests	(160)	(836)	(519)	(2,006)
Net income attributable to MSA Safety Incorporated	\$32,066	\$24,186	\$59,011	\$67,020
Amounts attributable to MSA Safety Incorporated common shareholders:				
Income from continuing operations	\$32,066	\$25,486	\$59,011	\$67,475
Loss from discontinued operations (Note 19)	—	(1,300)	—	(455)
Net income	\$32,066	\$24,186	\$59,011	\$67,020
Earnings per share attributable to MSA Safety Incorporated common shareholders:				
Basic				
Income from continuing operations	\$0.84	\$0.68	\$1.55	\$1.80
Loss from discontinued operations (Note 19)	\$—	\$(0.04)	\$—	\$(0.01)
Net income	\$0.84	\$0.64	\$1.55	\$1.79
Diluted				
Income from continuing operations	\$0.83	\$0.67	\$1.52	\$1.77
Loss from discontinued operations (Note 19)	\$—	\$(0.04)	\$—	\$(0.01)

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Net income	\$0.83	\$0.63	\$1.52	\$1.76
Dividends per common share	\$0.35	\$0.33	\$1.03	\$0.98

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

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MSA SAFETY INCORPORATED  
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2017	2016	2017	2016
Net income	\$32,226	\$25,022	\$59,530	\$69,026
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments (Note 6)	10,021	(2,411 )	34,888	(3,519 )
Pension and post-retirement plan adjustments, net of tax (Note 6)	2,180	1,893	6,321	5,679
Reclassification from accumulated other comprehensive (loss) into earnings (Note 6)	—	—	—	4,125
Total other comprehensive income (loss), net of tax	12,201	(518 )	41,209	6,285
Comprehensive income	44,427	24,504	100,739	75,311
Comprehensive income attributable to noncontrolling interests	(4,289 )	(1,021 )	(3,185 )	(3,271 )
Comprehensive income attributable to MSA Safety Incorporated	\$40,138	\$23,483	\$97,554	\$72,040

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

MSA SAFETY INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEET  
Unaudited

(In thousands)	September 30, 2017	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	\$112,185	\$113,759
Trade receivables, less allowance for doubtful accounts of \$6,181 and \$5,610	226,780	209,514
Inventories (Note 3)	160,280	103,066
Prepaid income taxes	20,618	16,378
Notes receivable, insurance companies (Note 18)	19,295	4,180
Prepaid expenses and other current assets	37,381	25,909
Total current assets	576,539	472,806
Property, plant and equipment, net (Note 5)	152,475	148,678
Prepaid pension cost	58,954	62,916
Deferred tax assets (Note 10)	36,094	23,240
Goodwill (Note 13)	417,949	333,276
Intangible assets (Note 13)	185,356	77,015
Notes receivable, insurance companies, noncurrent (Note 18)	59,151	63,147
Insurance receivable (Note 18) and other noncurrent assets	108,699	172,842
Total assets	\$1,595,217	\$1,353,920
<b>Liabilities</b>		
Notes payable and current portion of long-term debt, net (Note 12)	\$26,667	\$26,666
Accounts payable	65,589	62,734
Employees' compensation	36,848	39,880
Insurance and product liability (Note 18)	72,739	19,438
Income taxes payable (Note 10)	—	3,889
Other current liabilities	71,245	68,803
Total current liabilities	273,088	221,410
Long-term debt, net (Note 12)	445,717	363,836
Pensions and other employee benefits	172,851	157,927
Deferred tax liabilities (Note 10)	37,347	34,044
Other noncurrent liabilities	45,007	15,491
Total liabilities	\$974,010	\$792,708
Commitments and contingencies (Note 18)		
<b>Equity</b>		
Preferred stock, 4 1/2% cumulative, \$50 par value (Note 7)	3,569	3,569
Common stock, no par value (Note 7)	189,145	172,681
Treasury shares, at cost (Note 7)	(299,583 )	(289,254 )
Accumulated other comprehensive loss (Note 6)	(191,703 )	(230,246 )
Retained earnings	915,311	901,415
Total MSA Safety Incorporated shareholders' equity	616,739	558,165
Noncontrolling interests	4,468	3,047
Total shareholders' equity	621,207	561,212
Total liabilities and shareholders' equity	\$1,595,217	\$1,353,920

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

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MSA SAFETY INCORPORATED  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
Unaudited

	Nine Months Ended September 30,	
(In thousands)	2017	2016
Operating Activities		
Net income	\$59,530	\$69,026