

ESTERLINE TECHNOLOGIES CORP
Form 10-Q
August 03, 2018
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 June 29, 2018.

OR

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

For the transition period from _____ to _____

Commission file number 1-6357

ESTERLINE TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2595091
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification No.)

500 108th Avenue N.E., Bellevue, Washington 98004

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code (425) 453-9400

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

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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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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 July 31, 2018, 29,442,875 shares of the issuer's common stock were outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEET

As of June 29, 2018, and September 29, 2017

(In thousands, except share amounts)

	June 29, 2018 (Unaudited)	September 29, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 351,039	\$ 307,826
Accounts receivable, net of allowances of \$14,391 and \$16,035	401,244	430,524
Inventories		
Raw materials and purchased parts	185,211	194,034
Work in progress	188,956	178,191
Finished goods	105,327	105,744
	479,494	477,969
Income tax refundable	18,503	12,814
Prepaid expenses	23,778	19,239
Other current assets	4,574	13,836
Current assets of businesses held for sale	4,052	6,501
Total Current Assets	1,282,684	1,268,709
Property, Plant and Equipment	826,642	862,715
Accumulated depreciation	509,766	514,081
	316,876	348,634
Other Non-Current Assets		
Goodwill	1,031,234	1,053,573
Intangibles, net	318,169	359,166
Deferred income tax benefits	55,532	56,793
Other assets	17,323	19,804
Non-current assets of businesses held for sale	12,632	13,334

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Total Assets

\$3,034,450 \$3,120,013

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ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEET

As of June 29, 2018, and September 29, 2017

(In thousands, except share amounts)

	June 29, 2018 (Unaudited)	September 29, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 133,470	\$ 138,595
Accrued liabilities	218,953	230,007
Current maturities of long-term debt	15,245	17,424
U.S. and foreign income taxes	7,151	582
Current liabilities of businesses held for sale	3,212	7,184
Total Current Liabilities	378,031	393,792
Long-Term Liabilities		
Credit facilities	25,000	50,000
Long-term debt, net of current maturities	695,884	709,424
Deferred income tax liabilities	34,927	43,978
Pension and post-retirement obligations	65,443	66,981
Long-term U.S. income taxes payable	38,640	-
Other liabilities	17,703	18,838
Non-current liabilities of businesses held for sale	2,910	1,724
Shareholders' Equity		
Common stock, par value \$.20 per share, authorized 60,000,000 shares, issued 33,177,952 and 33,117,473 shares	6,636	6,623
Additional paid-in capital	750,449	738,329
Treasury stock at cost, repurchased 3,737,327 and 3,135,927 shares	(351,964)	(308,514)
Retained earnings	1,671,906	1,655,187
Accumulated other comprehensive loss	(312,164)	(266,870)
Total Esterline Shareholders' Equity	1,764,863	1,824,755
Noncontrolling interests	11,049	10,521
Total Shareholders' Equity	1,775,912	1,835,276
Total Liabilities and Shareholders' Equity	\$ 3,034,450	\$ 3,120,013

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME (LOSS)

For the Three and Nine Months Ended June 29, 2018, and June 30, 2017

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Net Sales	\$499,871	\$504,107	\$1,499,545	\$1,471,654
Cost of Sales	329,951	330,408	1,017,562	977,837
	169,920	173,699	481,983	493,817
Expenses				
Selling, general & administrative	98,895	93,615	299,817	286,649
Research, development and engineering	22,830	30,190	73,397	80,937
License fee income	-	-	(5,293)	-
Loss (gain) on sale of business	(97)	-	5,213	-
Insurance recovery	-	-	-	(7,789)
Total Expenses	121,628	123,805	373,134	359,797
Operating Earnings from Continuing Operations	48,292	49,894	108,849	134,020
Interest Income	(579)	(150)	(1,326)	(346)
Interest Expense	7,902	7,299	23,673	22,645
Earnings from Continuing Operations Before Income Taxes	40,969	42,745	86,502	111,721
Income Tax Expense	11,094	10,703	66,962	23,320
Earnings from Continuing Operations Including				
Noncontrolling Interests	29,875	32,042	19,540	88,401
Earnings Attributable to Noncontrolling Interests	(158)	(278)	(684)	(1,069)
Earnings from Continuing Operations Attributable to				
Esterline, Net of Tax	29,717	31,764	18,856	87,332
Loss from Discontinued Operations Attributable to Esterline,				
Net of Tax	(1,894)	(815)	(2,137)	(6,185)
Net Earnings Attributable to Esterline	\$27,823	\$30,949	\$16,719	\$81,147
Earnings (Loss) Per Share Attributable to Esterline - Basic:				
Continuing operations	\$1.01	\$1.07	\$0.63	\$2.94
Discontinued operations	(0.06)	(0.03)	(0.07)	(0.21)
Earnings (Loss) Per Share	\$0.95	\$1.04	\$0.56	\$2.73

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Earnings (Loss) Per Share Attributable to Esterline - Diluted:				
Continuing operations	\$1.00	\$1.06	\$0.63	\$2.92
Discontinued operations	(0.06)	(0.03)	(0.07)	(0.21)
Earnings (Loss) Per Share	\$0.94	\$1.03	\$0.56	\$2.71
Net Earnings (Loss)	\$27,823	\$30,949	\$16,719	\$81,147
Change in Fair Value of Derivative Financial Instruments	(13,588)	11,966	(20,961)	11,034
Income Tax Expense (Benefit)	(4,104)	3,575	(6,038)	3,094
	(9,484)	8,391	(14,923)	7,940
Change in Pension and Post-Retirement Obligations	1,311	536	3,172	4,132
Income Tax Expense	359	284	833	1,536
	952	252	2,339	2,596
Foreign Currency Translation Adjustment	(50,889)	46,763	(32,710)	9,926
Comprehensive Income (Loss)	\$(31,598)	\$86,355	\$(28,575)	\$101,609

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine Months Ended June 29, 2018, and June 30, 2017

(Unaudited)

(In thousands)

	June 29, 2018	June 30, 2017
Cash Flows Provided (Used) by Operating Activities		
Net earnings (loss) including noncontrolling interests	\$17,403	\$82,216
Adjustments to reconcile net earnings (loss) including noncontrolling interests to net cash provided (used) by operating activities:		
Depreciation and amortization	79,827	77,005
Deferred income taxes	(2,724)	(11,640)
Share-based compensation	9,424	7,549
Loss on disposal of fixed assets	2,101	-
Loss on sale of business	5,213	-
Gain on sale of discontinued operations	-	(793)
Gain (loss) on assets held for sale	780	3,537
Working capital changes:		
Accounts receivable	17,125	23,493
Inventories	(26,300)	(31,462)
Prepaid expenses	(5,254)	(4,153)
Other current assets	(956)	(263)
Accounts payable	(1,156)	3,258
Accrued liabilities	(21,891)	(13,416)
U.S. and foreign income taxes	718	(7,621)
Long-term U.S. income taxes payable	38,640	-
Other liabilities	(2,765)	2,292
Other, net	9,209	8,867
	119,394	