MOOG INC.
Form 10-Q
February 01, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 2, 2016

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: 1-05129

INC.
(Exact name of registrant as specified in its charter)

New York State	16-0757636
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
East Aurora, New York	14052-0018
(Address of principal executive offices)	(Zip Code)

(716) 652-2000
(Telephone number including area code)

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý 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 ý 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.
Large accelerated filer ý 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 ý

The number of shares outstanding of each class of common stock as of January 26, 2016 was:
Class A common stock, $1.00 par value, 33,364,542 shares
Class B common stock, $1.00 par value, 3,363,623 shares

Moog Inc.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION
Item 1. Financial Statements
Moog Inc.
Consolidated Condensed Balance Sheets
(Unaudited)

(dollars in thousands)	January 2, 2016	October 3, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$323,318	$309,853
Receivables	690,876	698,419
Inventories	501,653	493,360
Deferred income taxes	91,225	91,210
Prepaid expenses and other current assets	37,933	34,653
Total current assets	1,645,005	1,627,495
Property, plant and equipment, net of accumulated depreciation of $680,860 and $677,168, respectively	535,393	536,756
Goodwill	752,791	737,212
Intangible assets, net	143,048	143,723
Other assets	40,603	41,285
Total assets	$3,116,840	$3,086,471
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities		
Short-term borrowings	$1,363	$83
Current installments of long-term debt	443	34
Accounts payable	147,971	165,973
Accrued salaries, wages and commissions	115,457	125,270
Customer advances	166,491	167,423
Contract loss reserves	29,724	30,422
Other accrued liabilities	106,740	116,300
Total current liabilities	568,189	605,505
Long-term debt, excluding current installments	1,130,569	1,075,067
Long-term pension and retirement obligations	333,441	348,239
Deferred income taxes	69,136	60,209
Other long-term liabilities	3,363	2,919
Total liabilities	2,104,698	2,091,939
Commitments and contingencies (Note 17)	—	—
Redeemable noncontrolling interest	9,106	—
Shareholders’ equity		
Common stock	51,280	51,280
Other shareholders' equity	951,756	943,252
Total shareholders’ equity	1,003,036	994,532
Total liabilities and shareholders’ equity	$3,116,840	$3,086,471

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Moog Inc.
Consolidated Condensed Statements of Earnings
(Unaudited)

(dollars in thousands, except per share data)	Three Months Ended January 2, 2016	Three Months Ended January 3, 2015
Net sales	$568,457	$630,523
Cost of sales	406,997	446,605
Gross profit	161,460	183,918
Research and development	34,798	31,321
Selling, general and administrative	82,994	97,827
Interest	8,322	5,368
Restructuring	273	—
Other	(582)	(36)
Earnings before income taxes	35,655	49,438
Income taxes	9,495	14,173
Net earnings attributable to common shareholders and noncontrolling interest	$26,160	$35,265
Net earnings (loss) attributable to noncontrolling interest	(81)	—
Net earnings attributable to common shareholders	$26,241	$35,265
Net earnings per share attributable to common shareholders		
Basic	$0.71	$0.87
Diluted	$0.71	$0.86
Average common shares outstanding		
Basic	36,713,949	40,594,886
Diluted	37,028,331	41,080,179

See accompanying Notes to Consolidated Condensed Financial Statements.

4

Table of Contents

Moog Inc.
Consolidated Condensed Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended	
(dollars in thousands)	January 2, 2016	January 3, 2015
Net earnings attributable to common shareholders and noncontrolling interest	$26,160	$35,265
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(23,199)	(42,906)
Retirement liability adjustment	5,332	5,574
Change in accumulated loss on derivatives	438	250
Other comprehensive income (loss), net of tax	(17,429)	(37,082)
Comprehensive income (loss)	$8,731	$(1,817)
Comprehensive income (loss) attributable to noncontrolling interest	(81)	—
Comprehensive income (loss) attributable to common shareholders	$8,812	$(1,817)

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Moog Inc.
Consolidated Condensed Statements of Cash Flows
(Unaudited)

	Three Months Ended	
(dollars in thousands)	January 2, 2016	January 3, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings attributable to common shareholders and noncontrolling interest	$26,160	$35,265
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	19,208	19,833
Amortization	5,877	6,741
Deferred income taxes	3,532	6,713
Equity-based compensation expense	936	3,398
Other	804	1,111
Changes in assets and liabilities providing (using) cash:		
Receivables	5,221	62,772
Inventories	(11,131)	(15,381)
Accounts payable	(22,522)	(6,528)
Customer advances	(498)	(1,019)
Accrued expenses	(17,114)	(35,922)
Accrued income taxes	(2,685)	(3,060)
Net pension and post retirement liabilities	(5,709)	970
Other assets and liabilities	(2,534)	3,580
Net cash provided (used) by operating activities	(455)	78,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of cash acquired	(11,016)	—
Purchase of property, plant and equipment	(12,305)	(20,160)
Other investing transactions	1,021	71
Net cash used by investing activities	(22,300)	(20,089)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short-term repayments	—	(3,236)
Proceeds from revolving lines of credit	148,605	123,170
Payments on revolving lines of credit	(93,605)	(337,170)
Payments on long-term debt	(9,540)	(5,234)
Proceeds from senior notes, net of issuance costs	—	294,718
Proceeds from sale of treasury stock	2,230	9,951
Purchase of outstanding shares for treasury	(3,034)	(122,443)
Purchase of stock held by SECT	(1,020)	(4,460)
Excess tax benefits from equity-based payment arrangements	580	4,855
Net cash provided (used) by financing activities	44,216	(39,849)
Effect of exchange rate changes on cash	(7,996)	(9,587)
Increase in cash and cash equivalents	13,465	8,948
Cash and cash equivalents at beginning of period	309,853	231,292
Cash and cash equivalents at end of period	$323,318	$240,240

See accompanying Notes to Consolidated Condensed Financial Statements.

6

Table of Contents

Moog Inc.
Notes to Consolidated Condensed Financial Statements
Three Months Ended January 2, 2016
(Unaudited)
(dollars in thousands, except per share data)

Note 1 - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the three months ended January 2, 2016 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended October 3, 2015. All references to years in these financial statements are to fiscal years.

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This ASU is intended to change the criteria for reporting discontinued operations and enhance convergence of the FASB’s and the International Accounting Standard Board’s (IASB) reporting requirements for discontinued operations. The provisions of this ASU are effective for fiscal years beginning after December 15, 2014 and interim periods within those fiscal years. We adopted this amendment in the first quarter of 2016. The adoption of this standard did not have a material impact on our financial statements.

Note 2 - Acquisition and Divestiture

In 2016, we acquired a 70% ownership in Linear Mold and Engineering, a Livonia, Michigan-based company providing engineering, manufacturing and production consulting services to customers across a wide range of industries, including aerospace, defense, energy and industrial. The purchase price, net of acquired cash, was $25,751 consisting of $11,016 in cash, issuance of a $1,280 unsecured note, assumption of $10,455 of debt and contingent consideration with an initial fair value of $3,000. The acquisition also includes a redeemable noncontrolling interest in the remaining 30%, which is exercisable beginning three years from the date of acquisition. This acquisition is included in of our Aircraft Controls segment. The purchase price allocation is subject to adjustments as we obtain additional information for our estimates during the measurement period.

In 2015, we sold the Rochester, New York and Erie, Pennsylvania life sciences operations of our Medical Devices segment for $2,988 in cash.

Table of Contents

Note 3 - Receivables

Receivables consist of:

	January 2, 2016	October 3, 2015
Accounts receivable	$297,578	$291,188
Long-term contract receivables:		
Amounts billed	98,872	113,565
Unbilled recoverable costs and accrued profits	284,048	286,395
Total long-term contract receivables	382,920	399,960
Other	15,626	12,557
Total receivables	696,124	703,705
Less allowance for doubtful accounts	(5,248)	(5,286)
Receivables	$690,876	$698,419

We securitize certain trade receivables in transactions that are accounted for as secured borrowings (Securitization Program). We maintain a subordinated interest in a portion of the pool of trade receivables that are securitized. The retained interest, which is included in Receivables in the consolidated condensed balance sheets, is recorded at fair value, which approximates the total amount of the designated pool of accounts receivable. Refer to Note 6, Indebtedness, for additional disclosures related to the Securitization Program.

Note 4 - Inventories

Inventories, net of reserves, consist of:

	January 2, 2016	October 3, 2015
Raw materials and purchased parts	$192,094	$188,843
Work in progress	242,663	243,373
Finished goods	66,896	61,144
Inventories	$501,653	$493,360

There are no material inventoried costs relating to long-term contracts where revenue is accounted for using the percentage of completion, cost-to-cost method of accounting as of January 2, 2016 or October 3, 2015.

Table of Contents

Note 5 - Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	Aircraft Controls	Space and Defense Controls	Industrial Systems	Components	Medical Devices	Total
Balance at October 3, 2015	$188,525	$158,213	$110,843	$217,763	$61,868	$737,212
Acquisitions	21,306	—	—	—	—	21,306
Foreign currency translation	(1,713)	(334)	(3,841)	466	(305)	(5,727)
Balance at January 2, 2016	$208,118	$157,879	$107,002	$218,229	$61,563	$752,791

Goodwill at January 2, 2016, in our Medical Devices reporting unit, is net of a $38,200 accumulated impairment loss. Certain factors, including industry conditions and the future profitability of our business, might have a negative impact on the carrying value of our goodwill and we may incur additional goodwill impairment charges.

The components of intangible assets are as follows:

		January 2, 2016		October 3, 2015	
	Weighted-Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer-related	11	$175,569	$(112,210)	$171,779	$(110,697)
Program-related	18	74,004	(27,962)	75,720	(27,463)
Technology-related	9	72,789	(50,468)	73,299	(49,723)
Marketing-related	9	27,079	(17,101)	25,997	(16,648)
Other	9	4,623	(3,275)	4,772	(3,313)
Intangible assets	12	$354,064	$(211,016)	$351,567	$(207,844)

Substantially all acquired intangible assets other than goodwill are being amortized. Customer-related intangible assets primarily consist of customer relationships. Program-related intangible assets consist of long-term programs represented by current contracts and probable follow on work. Technology-related intangible assets primarily consist of technology, patents, intellectual property and software. Marketing-related intangible assets primarily consist of trademarks, trade names and non-compete agreements.

Amortization of acquired intangible assets was $5,811 for the three months ended January 2, 2016 and $6,660 for the three months ended January 3, 2015. Based on acquired intangible assets recorded at January 2, 2016, amortization is expected to be approximately $22,800 in 2016, $19,400 in 2017, $18,000 in 2018, $16,700 in 2019 and $15,300 in 2020.

Table of Contents

Note 6 - Indebtedness

Short-term borrowings consist of:

	January 2, 2016	October 3, 2015
Lines of credit	$83	$83
Other short-term debt	1,280	—
Short-term borrowings	$1,363	$83

We maintain short-term line of credit facilities with banks throughout the world that are principally demand lines subject to revision by the banks.

Long-term debt consists of:

	January 2, 2016	October 3, 2015
U.S. revolving credit facility	$730,000	$675,000
Senior notes	300,000	300,000
Securitization program	100,000	100,000
Obligations under capital leases	1,012	101
Senior debt	1,131,012	1,075,101
Less current installments	(443)	(34)
Long-term debt	$1,130,569	$1,075,067

Our U.S. revolving credit facility has a capacity of $1,100,000 and matures on May 22, 2019. It also provides an expansion option, which permits us to request an increase of up to $200,000 to the credit facility upon satisfaction of certain conditions. The credit facility is secured by substantially all of our U.S. assets.

On November 21, 2014, we completed the sale of $300,000 aggregate principal amount of 5.25% senior notes due December 1, 2022 at par with interest paid semiannually on June 1 and December 1 of each year. The aggregate net proceeds of $294,430 were used to repay indebtedness under our U.S. bank credit facility, thereby increasing the unused portion of our revolving credit facility.

The Securitization Program was extended on February 10, 2015 and matures on February 10, 2017 and effectively increases our borrowing capacity by up to $100,000. Under the Securitization Program, we sell certain trade receivables and related rights to an affiliate, which in turn sells an undivided variable percentage ownership interest in the trade receivables to a financial institution, while maintaining a subordinated interest in a portion of the pool of trade receivables. Interest for the Securitization Program is based on 30-day LIBOR plus an applicable margin. A commitment fee is also charged based on a percentage of the unused amounts available and is not material. The agreement governing the Securitization Program contains restrictions and covenants which include limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and sale of substantially all assets. The Securitization Program has a minimum borrowing requirement equal to the lesser of either 80% of our borrowing capacity or 100% of our borrowing base, which is a subset of the trade receivables sold under this agreement. As of January 2, 2016, our minimum borrowing requirement is $80,000.

Table of Contents

Note 7 - Product Warranties

In the ordinary course of business, we warrant our products against defects in design, materials and workmanship typically over periods ranging from twelve to sixty months. We determine warranty reserves needed by product line based on historical experience and current facts and circumstances. Activity in the warranty accrual is summarized as follows:

	Three Months Ended	
	January 2, 2016	January 3, 2015
Warranty accrual at beginning of period	$18,660	$19,953
Warranties issued during current year	2,418	1,465
Adjustments to pre-existing warranties	(134)	(1,132)
Reductions for settling warranties	(1,253)	(1,238)
Foreign currency translation	(300)	(722)
Warranty accrual at end of period	$19,391	$18,326

Note 8 - Derivative Financial Instruments

We principally use derivative financial instruments to manage interest rate risk associated with long-term debt and foreign exchange risk related to foreign operations and foreign currency transactions. We enter into derivative financial instruments with a number of major financial institutions to minimize counterparty credit risk.

Derivatives designated as hedging instruments

Interest rate swaps are used to adjust the proportion of total debt that is subject to variable and fixed interest rates. The interest rate swaps are designated as hedges of the amount of future cash flows related to interest payments on variable-rate debt that, in combination with the interest payments on the debt, convert a portion of the variable-rate debt to fixed-rate debt. At January 2, 2016, we had interest rate swaps with notional amounts totaling $245,000. The interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 2.33%, including the applicable margin of 1.63% as of January 2, 2016. The interest will revert back to variable rates based on LIBOR plus the applicable margin upon the maturity of the interest rate swaps. These interest rate swaps mature at various times between January 15, 2016 and June 5, 2017.

We use foreign currency contracts as cash flow hedges to effectively fix the exchange rates on future payments and revenue. To mitigate exposure in movements between various currencies, primarily the Philippine peso, we had outstanding foreign currency forwards with notional amounts of $52,566 at January 2, 2016. These contracts mature at various times through September 1, 2017.

These interest rate swaps and foreign currency contracts are recorded in the consolidated condensed balance sheets at fair value and the related gains or losses are deferred in shareholders’ equity as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). These deferred gains and losses are reclassified into expense during the periods in which the related payments or receipts affect earnings. However, to the extent the interest rate swaps and foreign currency contracts are not perfectly effective in offsetting the change in the value of the payments and revenue being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in the first three months of 2016 or 2015.

Table of Contents

Derivatives not designated as hedging instruments

We also have foreign currency exposure on balances, primarily intercompany, that are denominated in foreign currencies and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in the consolidated condensed statements of earnings. To minimize foreign currency exposure, we had foreign currency contracts with notional amounts of $108,496 at January 2, 2016. The foreign currency contracts are recorded in the consolidated condensed balance sheets at fair value and resulting gains or losses are recorded in the consolidated condensed statements of earnings. We recorded the following gains or losses on foreign currency contracts which are included in other income or expense and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances that are also included in other income or expense:

	Three Months Ended	
	January 2, 2016	January 3, 2015
Net gain	$890	$933

Summary of derivatives

The fair value and classification of derivatives is summarized as follows:

		January 2, 2016	October 3, 2015
Derivatives designated as hedging instruments:			
Foreign currency contracts	Other current assets	$54	$12
Foreign currency contracts	Other assets	20	39
	Total asset derivatives	$74	$51
Foreign currency contracts	Other accrued liabilities	$1,877	$1,755
Foreign currency contracts	Other long-term liabilities	386	572
Interest rate swaps	Other accrued liabilities	215	756
Interest rate swaps	Other long-term liabilities	49	268
	Total liability derivatives	$2,527	$3,351
Derivatives not designated as hedging instruments:			
Foreign currency contracts	Other current assets	$1,259	$115
Foreign currency contracts	Other accrued liabilities	$205	$429

Table of Contents

Note 9 - Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate fair value. The definition of the fair value hierarchy is as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for similar assets and liabilities.

Level 3 – Inputs for which significant valuation assumptions are unobservable in a market and therefore value is based on the best available data, some of which is internally developed and considers risk premiums that a market participant would require.

Our derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market data, such as interest rate yield curves and currency rates, and are classified as Level 2 within the valuation hierarchy. Our Level 3 fair value liabilities represent contingent consideration recorded for acquisitions to be paid if various financial targets are met. The amounts recorded were calculated for each payment scenario in each period using an estimate of the probability of the future cash outflows. The varying contingent payments were then discounted to the present value at the weighted average cost of capital. Fair value is assessed on a quarterly basis, or whenever events or circumstances change that indicates an adjustment is required. The assessment includes an evaluation of the performance of the acquired business compared to previous expectations, changes to future projections and the probability of achieving the earn out targets.

The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis, all of which are classified as Level 2, except for the acquisition contingent consideration which is classified as Level 3:

	Classification	January 2, 2016	October 3, 2015
Foreign currency contracts	Other current assets	$1,313	$127
Foreign currency contracts	Other assets	20	39
	Total assets	$1,333	$166
Foreign currency contracts	Other accrued liabilities	$2,082	$2,184
Foreign currency contracts	Other long-term liabilities	386	572
Interest rate swaps	Other accrued liabilities	215	756
Interest rate swaps	Other long-term liabilities	49	268
Acquisition contingent consideration	Other accrued liabilities	3,000	—
	Total liabilities	$5,732	$3,780

The changes in financial liabilities classified as Level 3 within the fair value hierarchy are as follows:

	Three Months Ended January 2, 2016
Balance at beginning of period	$—
Additions from acquisitions	3,000
Balance at end of period	$3,000

Our only financial instrument for which the carrying value differs from its fair value is long-term debt. At January 2, 2016, the fair value of long-term debt was $1,133,450 compared to its carrying value of $1,131,012. The fair value of long-term debt is classified as Level 2 within the fair value hierarchy and was estimated based on quoted market prices.

Table of Contents

Note 10 - Employee Benefit Plans

Net periodic benefit costs for U.S. defined benefit pension plans consist of:

	Three Months Ended	
	January 2, 2016	January 3, 2015
Service cost	$5,909	$5,909
Interest cost	9,415	8,507
Expected return on plan assets	(12,596)	(11,784)
Amortization of prior service cost (credit)	47	37
Amortization of actuarial loss	6,542	5,589
Pension expense for defined benefit plans	$9,317	$8,258

Net periodic benefit costs for foreign defined benefit pension plans consist of:

	Three Months Ended	
	January 2, 2016	January 3, 2015
Service cost	$1,313	$1,591
Interest cost	1,240	1,265
Expected return on plan assets	(1,229)	(1,339)
Amortization of prior service cost (credit)	(19)	(13)
Amortization of actuarial loss	650	587
Pension expense for defined benefit plans	$1,955	$2,091

Net periodic benefit costs for the post-retirement health care benefit plan consists of:

	Three Months Ended	
	January 2, 2016	January 3, 2015
Service cost	$40	$56
Interest cost	117	144
Amortization of actuarial gain	(143)	(26)
Net periodic postretirement benefit cost	$14	$174

Pension expense for the defined contribution plans consists of:

	Three Months Ended	
	January 2, 2016	January 3, 2015
U.S. defined contribution plans	$3,441	$3,534
Foreign defined contribution plans	1,638	1,686
Total pension expense for defined contribution plans	$5,079	$5,220

Actual contributions for the three months ended January 2, 2016 and anticipated additional 2016 contributions to our defined benefit pension plans are as follows:

	U.S. Plans	Foreign Plans	Total
Actual	$15,710	$1,267	$16,977
Anticipated	52,251	5,600	57,851
Total expected contributions	$67,961	$6,867	$74,828

Table of Contents

Note 11 - Restructuring

In 2016, we initiated further restructuring actions as a result of the business outlook. The restructuring actions taken have resulted in workforce reductions in Europe.

In 2015, we initiated additional restructuring plans as a result of ongoing reviews of our lines of business and operations. The restructuring actions taken resulted in workforce reductions, primarily in the U.S., Europe and Asia.

In 2014, we initiated restructuring plans in response to the business outlook, which includes a change in the mix of sales and delays and cancellations of orders for certain product lines. The restructuring actions taken resulted in workforce reductions, primarily in the U.S. and Europe.

Restructuring activity for severance and other costs by segment is as follows:

	Aircraft Controls	Space and Defense Controls	Industrial Systems	Components	Medical Devices	Total
Balance at October 3, 2015	$3,047	$7,237	$4,003	$117	$142	$14,546
Charged to expense - 2016 plan	—	—				