

IPG PHOTONICS CORP
Form 10-Q
November 07, 2014
Table of Contents

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 September 30, 2014

OR

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

Commission File Number 001-33155

IPG PHOTONICS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	04-3444218 (I.R.S. Employer Identification Number)
---	--

50 Old Webster Road, Oxford, Massachusetts (Address of principal executive offices) (508) 373-1100 (Registrant's telephone number, including area code)	01540 (Zip 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 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.

Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>

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 November 3, 2014, there were 52,182,177 shares of the registrant's common stock issued and outstanding.

TABLE OF CONTENTS

	Page
<u>Part I. Financial Information</u>	<u>1</u>
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Consolidated Balance Sheets: September 30, 2014 and December 31, 2013</u>	<u>1</u>
<u>Consolidated Statements of Income: Three and Nine Months Ended September 30, 2014 and 2013</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income: Three and Nine Months Ended September 30, 2014 and 2013</u>	<u>3</u>
<u>Consolidated Statements of Cash Flows: Nine Months Ended September 30, 2014 and 2013</u>	<u>4</u>
<u>Consolidated Statements of Equity: Nine Months Ended September 30, 2014 and 2013</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>12</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>18</u>
<u>Item 4. Controls and Procedures</u>	<u>19</u>
<u>Part II. Other Information</u>	<u>20</u>
<u>Item 1. Legal Proceedings</u>	<u>20</u>
<u>Item 1A. Risk Factors</u>	<u>20</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>20</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>21</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>21</u>
<u>Item 5. Other Information</u>	<u>21</u>
<u>Item 6. Exhibits</u>	<u>21</u>
<u>Signatures</u>	<u>22</u>
EX-10.1 AMENDMENT TO LOAN AGREEMENT WITH BANK OF AMERICA, N.A.	
EX-31.1 CERTIFICATION OF CEO PURSUANT TO RULE 13a-14(a)	
EX-31.2 CERTIFICATION OF CFO PURSUANT TO RULE 13a-14(a)	
EX-32 CERTIFICATION OF CEO AND CFO PURSUANT TO SECTION 1350	
EX-101.INS XBRL INSTANCE DOCUMENT	
EX-101.SCH XBRL TAXONOMY EXTENSION SCHEMA	
EX-101.CAL XBRL TAXONOMY EXTENSION CALCULATION LINKBASE	
EX-101.LAB XBRL TAXONOMY EXTENSION LABEL LINKBASE	
EX-101.PRE XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE	
EX-101.DEF XBRL TAXONOMY EXTENSION DEFINITION LINKBASE	

Table of Contents

PART I-FINANCIAL INFORMATION
ITEM 1. UNAUDITED INTERIM FINANCIAL STATEMENTS
IPG PHOTONICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2014	December 31, 2013
	(In thousands, except share and per share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$487,518	\$448,776
Accounts receivable, net	136,629	103,803
Inventories	179,476	172,700
Prepaid income taxes and income taxes receivable	20,940	15,996
Prepaid expenses and other current assets	23,464	30,836
Deferred income taxes, net	15,227	14,232
Total current assets	863,254	786,343
PROPERTY, PLANT AND EQUIPMENT, NET	271,286	252,245
DEFERRED INCOME TAXES, NET	9,674	4,799
INTANGIBLE ASSETS, NET	9,847	9,564
GOODWILL	455	455
OTHER ASSETS	30,872	7,810
TOTAL	\$1,185,388	\$1,061,216
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Revolving line-of-credit facilities	\$2,276	\$3,296
Current portion of long-term debt	11,667	1,333
Accounts payable	18,969	18,787
Accrued expenses and other liabilities	66,862	59,336
Deferred income taxes, net	3,151	2,109
Income taxes payable	25,088	15,218
Total current liabilities	128,013	100,079
DEFERRED INCOME TAXES AND OTHER LONG-TERM LIABILITIES	20,672	21,835
LONG-TERM DEBT, NET OF CURRENT PORTION	—	11,333
Total liabilities	148,685	133,247
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
IPG PHOTONICS CORPORATION STOCKHOLDERS' EQUITY:		
Common stock, \$0.0001 par value, 175,000,000 shares authorized; 52,168,371 shares issued and outstanding at September 30, 2014; 51,930,978 shares issued and outstanding at December 31, 2013	5	5
Additional paid-in capital	556,401	538,908
Retained earnings	534,771	390,757
Accumulated other comprehensive loss	(54,474) (1,701
Total IPG Photonics Corporation stockholders' equity	1,036,703	927,969
TOTAL	\$1,185,388	\$1,061,216

See notes to consolidated financial statements.

Table of ContentsIPG PHOTONICS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
NET SALES	\$ 199,651	\$ 172,152	\$ 562,430	\$ 482,175
COST OF SALES	90,561	79,339	259,829	223,799
GROSS PROFIT	109,090	92,813	302,601	258,376
OPERATING EXPENSES:				
Sales and marketing	7,496	6,801	22,708	19,514
Research and development	13,447	11,501	39,593	30,782
General and administrative	14,172	13,175	40,212	37,814
(Gain) loss on foreign exchange	(3,614)	1,563	(4,039)	972
Total operating expenses	31,501	33,040	98,474	89,082
OPERATING INCOME	77,589	59,773	204,127	169,294
OTHER INCOME (EXPENSE), Net:				
Interest (expense) income, net	(4)	63	(143)	(25)
Other income, net	162	218	735	49
Total other income (expense)	158	281	592	24
INCOME BEFORE PROVISION FOR INCOME TAXES	77,747	60,054	204,719	