

WATERS CORP /DE/
Form 10-Q
August 01, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 28, 2014

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: 01-14010

Waters Corporation

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

13-3668640
(I.R.S. Employer
Identification No.)

34 Maple Street

Milford, Massachusetts 01757

(Address, including zip code, of principal executive offices)

(508) 478-2000

(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 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

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of the registrant's common stock as of July 25, 2014: 83,964,134

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WATERS CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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	June 28, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 428,691	\$ 440,796
Investments	1,488,869	1,362,874
Accounts receivable, less allowances for doubtful accounts and sales returns of \$7,732 and \$7,057 at June 28, 2014 and December 31, 2013, respectively	401,919	430,985
Inventories	272,764	242,800
Other current assets	88,363	78,800
Total current assets	2,680,606	2,556,255
Property, plant and equipment, net	328,598	324,932
Intangible assets, net	237,064	239,112
Goodwill	354,079	350,350
Other assets	127,183	111,980
Total assets	\$ 3,727,530	\$ 3,582,629
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Notes payable and debt	\$ 233,403	\$ 133,346
Accounts payable	65,086	64,961
Accrued employee compensation	30,613	43,305
Deferred revenue and customer advances	164,179	128,056
Accrued income taxes	3,959	19,770
Accrued warranty	12,475	12,962
Other current liabilities	84,875	85,132
Total current liabilities	594,590	487,532
Long-term liabilities:		
Long-term debt	1,160,000	1,190,000
Long-term portion of retirement benefits	59,875	74,723
Long-term income tax liability	23,407	25,436
Other long-term liabilities	46,173	41,765
Total long-term liabilities	1,289,455	1,331,924
Total liabilities	1,884,045	1,819,456
Commitments and contingencies (Notes 6, 7 and 10)		
Stockholders equity:		
Preferred stock, par value \$0.01 per share, 5,000 shares authorized, none issued at June 28, 2014 and December 31, 2013		
Common stock, par value \$0.01 per share, 400,000 shares authorized, 156,107 and 155,246 shares issued, 83,941 and 84,819 shares outstanding at June 28, 2014 and December 31, 2013, respectively	1,561	1,552

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Additional paid-in capital	1,336,049	1,270,608
Retained earnings	4,129,724	3,962,893
Treasury stock, at cost, 72,166 and 70,427 shares at June 28, 2014 and December 31, 2013, respectively	(3,662,931)	(3,477,759)
Accumulated other comprehensive income	39,082	5,879
Total stockholders' equity	1,843,485	1,763,173
Total liabilities and stockholders' equity	\$ 3,727,530	\$ 3,582,629

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

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WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(unaudited)

	Three Months Ended	
	June 28, 2014	June 29, 2013
Product sales	\$ 321,265	\$ 305,211
Service sales	160,536	145,904
Total net sales	481,801	451,115
Cost of product sales	131,303	123,704
Cost of service sales	70,550	64,625
Total cost of sales	201,853	188,329
Gross profit	279,948	262,786
Selling and administrative expenses	131,930	123,062
Research and development expenses	26,977	24,650
Purchased intangibles amortization	2,646	2,382
Operating income	118,395	112,692
Other expense (Note 2)		(1,575)
Interest expense	(7,971)	(7,580)
Interest income	1,700	1,179
Income from operations before income taxes	112,124	104,716
Provision for income taxes	15,595	15,402
Net income	\$ 96,529	\$ 89,314
Net income per basic common share	\$ 1.14	\$ 1.04
Weighted-average number of basic common shares	84,462	85,482
Net income per diluted common share	\$ 1.13	\$ 1.03
Weighted-average number of diluted common shares and equivalents	85,177	86,576

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

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WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(unaudited)

	Six Months Ended	
	June 28, 2014	June 29, 2013
Product sales	\$ 606,060	\$ 598,925
Service sales	306,249	282,528
Total net sales	912,309	881,453
Cost of product sales	253,778	237,456
Cost of service sales	135,794	125,441
Total cost of sales	389,572	362,897
Gross profit	522,737	518,556
Selling and administrative expenses	258,565	241,722
Research and development expenses	51,723	49,962
Purchased intangibles amortization	5,293	4,775
Operating income	207,156	222,097
Other expense (Note 2)		(1,575)
Interest expense	(15,460)	(14,765)
Interest income	3,158	2,366
Income from operations before income taxes	194,854	208,123
Provision for income tax expense (benefit)	28,023	(2,250)
Net income	\$ 166,831	\$ 210,373
Net income per basic common share	\$ 1.97	\$ 2.45
Weighted-average number of basic common shares	84,731	85,814
Net income per diluted common share	\$ 1.95	\$ 2.42
Weighted-average number of diluted common shares and equivalents	85,538	86,950

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

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WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN THOUSANDS)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net income	\$ 96,529	\$ 89,314	\$ 166,831	\$ 210,373
Other comprehensive income (loss):				
Foreign currency translation	5,883	(765)	32,600	(29,478)
Unrealized gains on investments before reclassifications	594	203	736	145
Amounts reclassified to other expense		1,576		1,576
Unrealized gains on investments before income taxes	594	1,779	736	1,721
Income tax expense	(33)	(550)	(31)	(535)