LITTELFUSE INC /DE
Form 10-K
February 24, 2012

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

FORM 10-K

[X]	Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
(Mark one)	for the fiscal year ended December 31, 2011
	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 0-20388
LITTELFUSE, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3795742
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8755 West Higgins Road, Suite 500, Chicago, Illinois	60631
(Address of principal executive offices)	(ZIP Code)

773/628-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $0.01 par value	NASDAQ Global Select MarketSM

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [X] No [ ]

(Cover continued from previous page)

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 (Section 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 "small reporting company" in Rule 12b-2 of the Exchange Act (Check one): Large accelerated filer [X] 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 [X]

The aggregate market value of 22,117,146 shares of voting stock held by non-affiliates of the registrant was approximately $1,338,972,019 based on the last reported sale price of the registrant's Common Stock as reported on the NASDAQ Global Select MarketSM on July 2, 2011.

As of February 17, 2012, the registrant had outstanding 23,135,321 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Littelfuse, Inc. Proxy Statement for the 2012 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K that are not historical facts are intended to constitute "forward-looking statements" entitled to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995 ("PSRLA"). These statements may involve risks and uncertainties, including, but not limited to, risks relating to product demand and market acceptance, economic conditions, the impact of competitive products and pricing, product quality problems or product recalls, capacity and supply difficulties or constraints, coal mining exposures, failure of an indemnification for environmental liability, exchange rate fluctuations, commodity price fluctuations, the effect of the company's accounting policies, labor disputes, restructuring costs in excess of expectations, pension plan asset returns being less than assumed, integration of acquisitions and other risks that may be detailed in "Item 1A. Risk Factors" below and in the company's other Securities and Exchange Commission filings.

PART I

ITEM 1. BUSINESS.

GENERAL

Littelfuse, Inc. and its subsidiaries (the "company" or "Littelfuse" or "we" or "our") is the world's leading supplier of circu protection products for the electronics industry, providing a broad line of circuit protection solutions to worldwide customers.

In the electronics market, the company supplies leading manufacturers such as Alcatel-Lucent, Apple, Cisco, Celestica, Delta, Flextronics, Foxconn, Hewlett-Packard, HTC, Huawei, IBM, Intel, Jabil, LG, Motorola, Nokia, Panasonic, Quanta, Samsung, Sanmina-SCI, Seagate, Siemens and Sony. The company is also the leading provider of circuit protection for the automotive industry and the third largest producer of electrical fuses in North America. In the automotive market, the company's end customers include major automotive manufacturers in North America, Europe and Asia such as BMW, Caterpillar, Chrysler, Ford Motor Company, General Motors, Hyundai Group, and Volkswagen. The company also supplies wiring harness manufacturers and auto parts suppliers worldwide, including Advance Auto Parts, Continental, Delphi, Lear, Leoni, O'Reilly Auto Parts, Pep Boys, Sumitomo, Valeo, and Yazaki. In the electrical market, the company supplies representative customers such as Abbott, Acuity Brands, Dow Chemical, DuPont, GE, General Motors, Heinz, International Paper, John Deere, SMA, First Solar, Samsung, Merck, Poland Springs, Procter & Gamble, Rockwell, United Technologies and 3M. Through the company's Electrical business, the company supplies industrial ground fault protection in mining and other large industrial operations to customers such as Potash Corporation, Mosaic, Agrium, and Cameco. See "Business Environment: Circuit Protection Market."

The company reports its operations by three business unit segments: Electronics, Automotive, and Electrical. For segment and geographical information and consolidated net sales and operating earnings see "Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations" and Note 15 of the Notes to Consolidated Financial Statements included in this report.

During 2011, the company invested $6.0 million in certain preferred stock of Shocking Technologies, Inc., a research and development company in the electronics industry located in San Jose, California. Shocking Technologies, Inc. is a developer of circuit protection products for the computer and telecommunication markets.

On August 3, 2011, the company acquired 100% of Selco A/S, a manufacturer of relays and generator controls for the marine industry, for approximately $11.1 million. The acquisition allows the company to further expand its global relay business within its Electrical business unit segment. Selco A/S is located in Roskilde, Denmark with a sales office located in Dubai, United Arab Emirates. The company funded the acquisition with available cash.

Net sales by business unit segment for the periods indicated are as follows (in thousands):

	Fiscal Year		
	2011	2010	2009
Electronics	$354,487	$373,370	$253,758
Automotive	197,586	139,096	104,647
Electrical	112,882	95,555	71,742
Total	$664,955	$608,021	$430,147

During 2011, the company adjusted its business segment reporting methodology to report results by product line rather than by sales organization. Accordingly, results for 2010 and 2009 have been restated to reflect this change. The company's total consolidated revenues and operating income did not change.

The company operates in three geographic regions: the Americas, Europe, and Asia-Pacific. The company manufactures products and sells to customers in all three regions.

Net sales in the company's three geographic regions, based upon the shipped to destination, are as follows (in thousands):

	Fiscal Year		
	2011	2010	2009
Americas	$288,592	$227,747	$166,137
Europe	114,895	115,113	83,449
Asia-Pacific	261,468	265,161	180,561
Total	$664,955	$608,021	$430,147

The company's products are sold worldwide through distributors, a direct sales force and manufacturers' representatives. For the year ended December 31, 2011, approximately 66% of the company's net sales were to customers outside the United States, including approximately 22% to China.

The company manufactures many of its products on fully integrated manufacturing and assembly equipment. The company maintains product quality through a Global Quality Management System with most manufacturing sites certified under ISO 9001:2000. In addition, several of the Littelfuse manufacturing sites are also certified under TS 16949 and ISO 14001.

References herein to "2011" or "fiscal 2011" refer to the fiscal year ended December 31, 2011. References herein to "2010" or "fiscal 2010" refer to the fiscal year ended January 1, 2011. References herein to "2009" or "fiscal 2009" refer to the fiscal year ended January 2, 2010. The company operates on a "4-4-5" fiscal calendar that normally keeps the number of weeks constant during each quarter. As a result of using this convention, each of fiscal 2011 and fiscal 2010 contained 52 weeks whereas fiscal 2009 contained 53 weeks.

The company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through the "Investors" section of the company's Internet web site (http://www.littelfuse.com), as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the "SEC"), accessible via a link to the web site maintained by the SEC. Except as otherwise provided herein, such information is not incorporated by reference into this Annual Report on Form 10-K.

BUSINESS ENVIRONMENT: CIRCUIT PROTECTION MARKET

Electronic Products

Electronic circuit protection products are used to protect circuits in a multitude of electronic systems. The company's product offering includes a complete line of overcurrent and overvoltage solutions, including (i) fuses and protectors, (ii) positive temperature coefficient ("PTC") resettable fuses, (iii) varistors, (iv) polymer electrostatic discharge ("ESD") suppressors, (v) discrete transient voltage suppression ("TVS") diodes, TVS diode arrays and protection thyristors, (vi) gas discharge tubes, (vii) power switching components and (viii) fuseholders, blocks and related accessories.

Electronic fuses and protectors are devices that contain an element that melts in an overcurrent condition. Electronic miniature and subminiature fuses are designed to provide circuit protection in the limited space requirements of electronic equipment. The company's fuses are used in a wide variety of electronic products, including mobile phones, flat-screen TVs, computers, and telecommunications equipment. The company markets these products under trademarked brand names including PICO® II and NANO2® SMF.

Resettable fuses are PTC polymer devices that limit the current when an overcurrent condition exists and then reset themselves once the overcurrent condition has cleared. The company's product line offers both radial leaded and surface mount products. Varistors are ceramic-based, high-energy absorption devices that provide transient overvoltage and surge suppression for automotive, telecommunication, consumer electronics and industrial applications. The company's product line offers both radial leaded and multilayer surface mount products.

Polymer ESD suppressors are polymer-based devices that protect an electronic system from failure due to rapid transfer of electrostatic charge to the circuit. The company's PulseGuard® line of ESD suppressors is used in PC and PC peripherals, digital consumer electronics and wireless applications.

Discrete diodes, diode arrays and protection thyristors are fast switching silicon semiconductor structures. Discrete diodes protect a wide variety of applications from overvoltage transients such as ESD, inductive load switching or lightning, while diode arrays are used primarily as ESD suppressors. Protection thyristors are commonly used to protect telecommunications circuits from overvoltage transients such as those resulting from lightning. Applications include telephones, modems, data transmission lines and alarm systems. The company markets these products under trademarked brand names including TECCOR®, SIDACtor®, Battrax® and SPA™.

Gas discharge tubes are very low capacitance devices designed to suppress any transient voltage event that is greater than the breakover voltage of the device. These devices are primarily used in telecommunication interface and conversion equipment applications as protection from overvoltage transients such as lightning.

Power switching components are used to regulate energy to various types of loads most commonly found in industrial and home applications. These components are easily activated from simple control circuits or interfaced to computers for more complex load control. Typical applications include heating, cooling, battery chargers and lighting.

In addition to the above products, the company is also a supplier of fuse holders (including OMNI-BLOK®), fuse blocks and fuse clips primarily to customers that purchase circuit protection devices from the company.

Automotive Products
Fuses are extensively used in automobiles, trucks, buses and off-road equipment to protect electrical circuits and the wires that supply electrical power to operate lights, heating, air conditioning, radios, windows and other controls. Currently, a typical automobile contains 30 to 100 fuses, depending upon the options installed. The fuse content per vehicle is expected to continue to grow as more electronic features are included in automobiles. The company also supplies fuses for the protection of electric and hybrid vehicles.

The company is a primary supplier of automotive fuses to United States, Asian and European automotive original equipment manufacturers ("OEM"), automotive component parts manufacturers and automotive parts distributors. The company also sells its fuses in the replacement parts market, with its products being sold through merchandisers, discount stores and service stations, as well as under private label by national firms. The company invented and owns U.S. and foreign patents related to blade-type fuses, which is the standard and most commonly used fuse in the automotive industry. The company's automotive fuse products are marketed under trademarked brand names, including ATO®, MINI®, MAXI, MIDI®, MEGA®, MasterFuse, JCASE® and CablePro™.

A majority of the company's automotive fuse sales are made to main-fuse box and wire harness manufacturers that incorporate the fuses into their products. The remaining automotive fuse sales are made directly to automotive manufacturers, retailers who sell automotive parts and accessories, and distributors who in turn sell most of their products to wholesalers, service stations and non-automotive OEMs.

The company has expanded the Automotive Business Segment into the commercial vehicle market with the acquisition of Cole Hersee. Additional products in this market include: power distribution modules, low current switches, high current switches, solenoids and relays, electronic switches, battery management products and ignition key switches.

Electrical Products
The company entered the electrical market in 1983 and manufactures and sells a broad range of low-voltage and medium-voltage circuit protection products to electrical distributors and their customers in the construction, OEM and industrial maintenance, repair and operating supplies ("MRO") markets. The company also designs and manufactures portable custom electrical equipment for the mining industry in Canada as well as protection relays for the global mining, oil and gas, industrial and marine markets.

Power fuses are used to protect circuits in various types of industrial equipment and in industrial and commercial buildings. They are rated and listed under one of many Underwriters Laboratories' fuse classifications. Major applications for power fuses include protection from over-load and short-circuit currents in motor branch circuits, heating and cooling systems, control systems, lighting circuits and electrical distribution networks.

The company's POWR-GARD® product line features the Indicator™ series power fuse used in both the OEM and MRO markets. The Indicator™ technology provides visual blown-fuse indication at a glance, reducing maintenance and downtime on production equipment. The Indicator™ product offering is widely used in motor protection and industrial control panel applications.

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Protection relays are used to protect personnel and equipment in industrial environments and commercial buildings from excessive currents, over voltages and electrical shock hazards called ground-faults. Major applications for protection relays include protection of motor, transformer and power-line distribution circuits. Ground-fault relays are used to protect personnel and equipment in wet environments such as underground mining or water treatment applications where there is a greater risk for electricity to come in contact with water and create a shock hazard.

Custom electrical equipment is used in harsh environments such as underground mining where standard electrical gear will not meet customer needs for reliability and durability. Portable power substations are used to transform and distribute electrical power to mobile equipment such as mining cutting machines and other electrical machinery. Miner control units provide power management for critical electrically operated underground production equipment.

PRODUCT DESIGN AND DEVELOPMENT

The company employs scientific, engineering and other personnel to continually improve its existing product lines and to develop new products at its research and engineering facilities in Champaign and Chicago, Illinois, Boston, Massachusetts, Canada, China, Germany, the Philippines and Mexico. The Product & Development Technology departments maintain a staff of engineers, chemists, material scientists and technicians whose primary responsibility is to design and develop new products.

Proposals for the development of new products are initiated primarily by sales and marketing personnel with input from customers. The entire product development process usually ranges from a few months to 18 months based on the complexity of development, with continuous efforts to reduce the development cycle. During fiscal years 2011, 2010 and 2009, the company expended $19.4 million, $17.6 million and $18.1 million, respectively, on research, product design and development (“R&D”). During 2010, the company completed moving R&D operations to lower cost locations closer to its customers. R&D operations are now in Canada, China, Germany, the Philippines and Mexico as well as the United States.

PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

The company generally relies on patent and trademark laws and license and nondisclosure agreements to protect intellectual property and proprietary products. In cases where it is deemed necessary by management, key employees are required to sign an agreement that they will maintain the confidentiality of the company’s proprietary information and trade secrets.

As of December 31, 2011, the company owned 197 patents in North America, 85 patents in the European Union and 63 patents in other foreign countries. The company also has registered trademark protection for certain of its brand names and logos. The 197 North American patents are in the following product categories: 124 electronics, 44 automotive and 29 electrical. Patents and licenses are amortized over a period of 7-12 years, with a weighted average life of 11.9 years. Distribution networks are amortized over a period of 3-20 years, with a weighted average life of 13.8 years. Trademarks and tradenames are amortized over a period of 5-20 years, with a weighted average life of 13.8 years. The company recorded amortization expense of $6.6 million, $5.0 million and $5.0 million in 2011, 2010 and 2009, respectively, related to amortizable intangible assets.

New products are continually being developed to replace older products. The company regularly applies for patent protection on such new products. Although, in the aggregate, the company's patents are important in the operation of its businesses, the company believes that the loss by expiration or otherwise of any one patent or group of patents would not materially affect its business.

License royalties amounted to $1.0 million, $0.2 million and $0.1 million for fiscal 2011, 2010 and 2009, respectively, and are included in other expense (income), net on the Consolidated Statements of Income.

MANUFACTURING

The company performs the majority of its own fabrication, stamps some of the metal components used in its fuses, holders and switches from raw metal stock and makes its own contacts and springs. In addition, the company fabricates silicon wafers for certain applications and performs its own plating (silver, nickel, zinc, tin and oxides). All thermoplastic molded component requirements used for such products as the ATO®, MINI® and MAXI fuse product lines are met through the company's in-house molding capabilities. After components are stamped, molded, plated and readied for assembly, final assembly is accomplished on fully automatic and semi-automatic assembly machines. Quality assurance and operations personnel, using techniques such as statistical process control, perform tests, checks and measurements during the production process to maintain the highest levels of product quality and customer satisfaction.

The principal raw materials for the company's products include copper and copper alloys, heat-resistant plastics, zinc, melamine, glass, silver, gold, raw silicon, solder and various gases. The company uses a sole source for several heat-resistant plastics and for zinc, but believes that suitable alternative heat-resistant plastics and zinc are available from other sources at comparable prices. All other raw materials are purchased from a number of readily available outside sources.

A computer-aided design and manufacturing system (CAD/CAM) expedites product development and machine design and the company's laboratories test new products, prototype concepts and production run samples. The company participates in "just-in-time" delivery programs with many of its major suppliers and actively promotes the building of strong cooperative relationships with its suppliers by utilizing early supplier involvement techniques and engaging them in pre-engineering product and process development.

MARKETING

The company's domestic sales and marketing staff of over 35 people maintains relationships with major OEMs and distributors. The company's sales, marketing and engineering personnel interact directly with OEM engineers to ensure appropriate circuit protection and reliability within the parameters of the OEM's circuit design. Internationally, the company maintains a sales and marketing staff of over 100 people with sales offices in the U.K., Germany, Spain, Italy, Singapore, Taiwan, Japan, Brazil, Hong Kong, Korea, China and India. The company also markets its products indirectly through a worldwide organization of over 60 manufacturers' representatives and distributes through an extensive network of electronics, automotive and electrical distributors.

Electronics
The company uses manufacturers' representatives to sell its electronics products domestically and to call on major domestic and international OEMs and distributors. The company sells approximately 15% of its domestic products directly to OEMs, with the remainder sold through distributors nationwide.

In the Asia-Pacific region, the company maintains a direct sales staff and utilizes distributors in Japan, Singapore, Korea, Taiwan, China, Malaysia, Thailand, Hong Kong, India, Indonesia, the Philippines, New Zealand and Australia. In the Americas, the company maintains a direct sales staff in Brazil and utilizes manufacturers' representatives and distributors in Canada. In Europe, the company maintains a direct sales force and utilizes manufacturers' representatives and distributors to support a wide array of customers.

Automotive
The company maintains a direct sales force to service all the major automotive and commercial vehicle OEMs and system suppliers domestically. Approximately 23 manufacturers' representatives sell the company's products to aftermarket fuse retailers such as O'Reilly Auto Parts and Pep Boys. The company also uses about 15 manufacturers' representatives to sell to the commercial vehicle aftermarket. In Europe, the company uses both a direct sales force and manufacturers' representatives to distribute its products to OEMs, major system suppliers and aftermarket distributors. In the Asia-Pacific region, the company uses both a direct sales force and distributors to supply to major OEMs and system suppliers.

Electrical
The company markets and sells its power fuses and protection relays through approximately 38 manufacturers' representatives across North America. These representatives sell power fuse products through an electrical and industrial distribution network comprised of approximately 2,000 distributor buying locations. These distributors have customers that include electrical contractors, municipalities, utilities and factories (including both MRO and OEM).

The company's field sales force (including regional sales managers and application engineers) and manufacturers' representatives call on both distributors and end-users (consulting engineers, municipalities, utilities and OEMs) in an effort to educate these customers on the capabilities and characteristics of the company's products.

CUSTOMERS

The company sells to over 5,000 customers and distributors worldwide. Sales to Arrow Electronics (an Electronics distributor) were less than 10% of net sales for 2011 and 2009, respectively, but were 10.4% for 2010. No other single customer accounted for more than 10% of net sales during any of the last three years. During fiscal 2011, 2010 and 2009, net sales to customers outside the United States accounted for approximately 66%, 69% and 68%, respectively, of the company's total net sales.

COMPETITION

The company's products compete with similar products of other manufacturers, some of which have substantially greater financial resources than the company. In the electronics market, the company's competitors include Cooper Industries, Bel Fuse, Bourns, EPCOS, On Semiconductor, STMicroelectronics, Semtech, Vishay and TE Connectivity. In the automotive market, the company's competitors include Cooper Industries, Pacific Engineering (a private company in Japan) and MTA (a private company in Italy). In the electrical market, the company's major competitors include Cooper Industries and Mersen. The company believes that it competes on the basis of innovative products, the breadth of its product line, the quality and design of its products and the responsiveness of its customer service, in addition to price.

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BACKLOG

The backlog of unfilled orders at December 31, 2011, was approximately $92.4 million, compared to $107.5 million at January 1, 2011. Substantially all of the orders currently in backlog are scheduled for delivery in 2012.

EMPLOYEES

As of December 31, 2011, the company employed approximately 6,000 employees worldwide. Approximately 750 employees in Mexico and 3 employees in Germany are covered by collective bargaining agreements. The Mexico collective bargaining agreement, covering employees in Piedras Negras, expires January 31, 2014. During 2010, a collective bargaining agreement covering approximately 160 employees at the company’s Matamoros, Mexico facility was terminated as a result of the plant’s closure.

The Germany collective bargaining agreement, covering 3 employees in Essen, expires March 31, 2012. During 2011, a collective bargaining agreement covering 28 employees at the company’s Dünsen, Germany facility was terminated as a result of plant closure.

Approximately 13% of the company's total workforce was employed under collective bargaining agreements at December 31, 2011. The employees covered by a collective bargaining agreement that will expire within one year of December 31, 2011 represent approximately less than 1% of the company's total workforce.

Overall, the company has historically maintained satisfactory employee relations and considers employee relations to be good.

ENVIRONMENTAL REGULATION

The company is subject to numerous foreign, federal, state and local regulations relating to air and water quality, the disposal of hazardous waste materials, safety and health. Compliance with applicable environmental regulations has not significantly changed the company’s competitive position, capital spending or earnings in the past and the company does not presently anticipate that compliance with such regulations will change its competitive position, capital spending or earnings for the foreseeable future.

The company employs an environmental engineer to monitor regulatory matters and believes that it is currently in compliance in all material respects with applicable environmental laws and regulations, except with respect to its facilities located in Ireland. The Ireland facility was acquired in October 1999 in connection with the acquisition from Harris Corporation of its suppression products division. Certain containment actions have been ongoing and full disclosure with appropriate agencies in Ireland has been initiated. The company received an indemnity from Harris Corporation with respect to these matters.

Littelfuse GmbH, which was acquired by the company in May 2004, is responsible for maintaining closed coal mines from legacy acquisitions. The company is compliant with German regulations pertaining to the maintenance of the mines and has an accrual related to certain of these coal mine shafts based on an engineering study estimating the cost of remediating the dangers (such as a shaft collapse) of certain of these closed coal mine shafts in Germany. The reserve is reviewed annually and calculated based upon the cost of remediating the shafts that the study deems most risky. Further information regarding the coal mine liability reserve is provided in Note 10 of the Notes to Consolidated Financial Statements included in this report.

ITEM 1A. RISK FACTORS.

Our business, financial condition and results of operations are subject to various risks and uncertainties, including the risk factors we have identified below. These factors are not necessarily listed in order of importance. We may amend or supplement the risk factors from time to time by other reports that we file with the SEC in the future.