

TELEDYNE TECHNOLOGIES INC  
Form 10-Q  
August 09, 2016  
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended July 3, 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 1-15295

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TELEDYNE TECHNOLOGIES INCORPORATED  
(Exact name of registrant as specified in its charter)

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Delaware	25-1843385
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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1049 Camino Dos Rios	91360-2362
Thousand Oaks, California	(Zip Code)
(Address of principal executive offices)	(805) 373-4545
(Registrant's telephone number, including area code)	

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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 website, 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, 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. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a 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 Exchange Act).  
Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 5, 2016
Common Stock, \$.01 par value per share	34,656,748 shares



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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE SECOND QUARTER AND SIX MONTHS ENDED JULY 3, 2016 AND JUNE 28, 2015

(Unaudited - Amounts in millions, except per-share amounts)

	Second Quarter		Six Months	
	2016	2015	2016	2015
Net sales	\$534.9	\$573.6	\$1,060.1	\$1,135.1
Costs and expenses				
Cost of sales	331.8	353.9	651.8	696.6
Selling, general and administrative expenses	148.8	150.6	292.9	301.8
Total costs and expenses	480.6	504.5	944.7	998.4
Operating income	54.3	69.1	115.4	136.7
Interest expense, net	(5.9 )	(6.0 )	(11.6 )	(11.9 )
Other income, net	17.2	3.4	15.9	4.2
Income before income taxes	65.6	66.5	119.7	129.0
Provision for income taxes	19.5	18.4	35.1	37.0
Net income from continuing operations	46.1	48.1	84.6	92.0
Loss from discontinued operations, net of income taxes	(0.4 )	(0.1 )	(0.5 )	(0.3 )
Net income	\$45.7	\$48.0	84.1	91.7
Noncontrolling interest	—	0.3	—	0.3
Net income attributable to Teledyne	\$45.7	\$48.3	\$84.1	\$92.0
Amounts attributable to Teledyne:				
Net income from continuing operations	\$46.1	\$48.4	\$84.6	\$92.3
Loss from discontinued operations, net of income taxes	(0.4 )	(0.1 )	(0.5 )	(0.3 )
Net income attributable to Teledyne	\$45.7	\$48.3	\$84.1	\$92.0
Basic earnings per common share:				
Continuing operations	\$1.34	\$1.37	\$2.45	\$2.60
Discontinued operations	(0.01 )	—	(0.01 )	(0.01 )
Basic earnings per common share	\$1.33	\$1.37	\$2.44	\$2.59
Weighted average common shares outstanding	34.4	35.3	34.4	35.5
Diluted earnings per common share:				
Continuing operations	\$1.32	\$1.34	\$2.42	\$2.54
Discontinued operations	(0.01 )	—	(0.01 )	(0.01 )
Diluted earnings per common share	\$1.31	\$1.34	\$2.41	\$2.53
Weighted average diluted common shares outstanding	35.0	36.1	35.0	36.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 FOR THE SECOND QUARTER AND SIX MONTHS ENDED JULY 3, 2016 AND JUNE 28, 2015  
 (Unaudited - Amounts in millions)

	Second Quarter		Six Months	
	2016	2015	2016	2015
Net income	\$45.7	\$48.0	\$84.1	\$91.7
Other comprehensive (loss) income:				
Foreign exchange translation adjustment	(11.8 )	20.8	11.3	(28.4 )
Hedge activity, net of tax	0.9	1.8	5.5	(0.5 )
Pension and postretirement benefit adjustments, net of tax	3.9	4.0	7.5	8.9
Other comprehensive (loss) income	(7.0 )	26.6	24.3	(20.0 )
Comprehensive income	38.7	74.6	108.4	71.7
Noncontrolling interest	—	0.3	—	0.3
Comprehensive income attributable to Teledyne	\$38.7	\$74.9	\$108.4	\$72.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited - Amounts in millions, except share amounts)

	July 3, 2016	January 3, 2016
Assets		
Current Assets		
Cash	\$71.7	\$85.1
Restricted cash	19.5	—
Accounts receivable, net	367.6	368.6
Inventories, net	319.0	304.1
Prepaid expenses and other current assets	40.9	59.4
Assets held for sale	11.8	12.1
Total current assets	830.5	829.3
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of \$453.1 at July 3, 2016 and \$443.2 at January 3, 2016	321.9	318.8
Goodwill	1,186.5	1,140.2
Acquired intangibles, net	246.1	243.3
Prepaid pension assets	124.5	111.0
Other assets, net	71.0	74.5
Total Assets	\$2,780.5	\$2,717.1
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$134.0	\$134.2
Accrued liabilities	252.3	237.5
Current portion of long-term debt and capital leases	13.5	19.1
Liabilities held for sale	2.5	2.8
Total current liabilities	402.3	393.6
Long-term debt and capital leases	678.2	761.5
Other long-term liabilities	222.9	217.9
Total Liabilities	1,303.4	1,373.0
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value; outstanding shares - none	—	—
Common stock, \$0.01 par value; authorized 125,000,000 shares; issued shares: 37,697,865 at July 3, 2016 and 37,697,865 at January 3, 2016; outstanding shares: 34,619,385 at July 3, 2016 and 34,514,599 at January 3, 2016	0.4	0.4
Additional paid-in capital	351.0	345.3
Retained earnings	1,805.6	1,721.5
Treasury stock, 3,078,480 at July 3, 2016 and 3,183,266 at January 3, 2016	(291.0 )	(309.9 )
Accumulated other comprehensive loss	(388.9 )	(413.2 )
Total Stockholders' Equity	1,477.1	1,344.1
Total Liabilities and Stockholders' Equity	\$2,780.5	\$2,717.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED JULY 3, 2016 AND JUNE 28, 2015  
 (Unaudited - Amounts in millions)

	Six Months	
	2016	2015
Operating Activities		
Net income	\$84.1	\$91.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42.6	45.8
Deferred income taxes	10.9	0.6
Stock option compensation expense	6.2	7.1
Excess income tax benefits from stock options exercised	(1.2 )	(2.1 )
Gain on sale of facility	(17.9 )	—
Changes in operating assets and liabilities, excluding the effect of businesses acquired:		
Accounts receivable	6.8	2.9
Inventories	(12.6 )	(20.9 )
Prepaid expenses and other assets	0.7	(0.5 )
Accounts payable	(2.1 )	(18.1 )
Accrued liabilities	16.2	(34.9 )
Income taxes receivable/payable, net	24.8	6.1
Long-term assets	0.9	0.7
Other long-term liabilities	1.7	3.0
Pension and postretirement benefits	(9.3 )	(6.8 )
Other, net	0.4	(0.5 )
Net cash provided by operating activities from continuing operations	152.2	74.1
Net cash provided by discontinued operations	0.5	1.6
Net cash provided by operating activities	152.7	75.7
Investing Activities		
Purchases of property, plant and equipment	(30.5 )	(21.1 )
Purchase of businesses and other investments, net of cash acquired	(58.3 )	(62.4 )
Proceeds from sale of assets	20.2	3.3
Sales proceeds transferred to escrow as restricted cash	(19.5 )	—
Other, net	(0.5 )	—
Net cash used in investing activities from continuing operations	(88.6 )	(80.2 )
Net cash used in discontinued operations	—	(0.2 )
Net cash used in investing activities	(88.6 )	(80.4 )
Financing Activities		
Net (payments) proceeds on credit facility	(74.9 )	75.0
Proceeds on other debt	6.4	—
Payments on other debt	(19.8 )	(15.3 )
Proceeds from exercise of stock options	9.6	10.8
Purchase of treasury stock	—	(142.0)
Excess income tax benefits from stock options exercised	1.2	2.1
Other, net	(0.4 )	(0.5 )
Net cash used in financing activities	(77.9 )	(69.9 )
Effect of exchange rate changes on cash	0.4	(5.5 )
Decrease in cash	(13.4 )	(80.1 )
Cash—beginning of period	85.1	141.4

Cash—end of period \$71.7 \$61.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
July 3, 2016

Note 1. General

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Teledyne Technologies Incorporated (“Teledyne” or the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States as they apply to interim reporting. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes in Teledyne’s Annual Report on Form 10-K for the fiscal year ended January 3, 2016 (“2015 Form 10-K”).

In the opinion of Teledyne’s management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, Teledyne’s consolidated financial position as of July 3, 2016 and the consolidated results of operations and consolidated comprehensive income for the three and six months then ended and cash flows for the six months then ended. The results of operations and cash flows for the period ended July 3, 2016 are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year.

In the third quarter of 2016, Teledyne sold assets of the Printed Circuit Technology business for \$9.3 million in cash. As a result, these financial statements reflect the classification of our Printed Circuit Technology business as a discontinued operation. See Note 14 to these condensed consolidated financial statements for additional information.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. In July 2015, the FASB deferred the effective date by one year, but will allow early adoption as of the original adoption date. This new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently in the process of determining its implementation approach and evaluating the impact this guidance will have on the consolidated financial statements and footnote disclosures.

In March 2016, the FASB Issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting. The ASU is intended to simplify several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted for any entity in any interim or annual period. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements and footnote disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability, other than leases that meet the definition of a short-term lease. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. The new leasing standard will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, requiring application at the beginning of the

earliest comparative period presented. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements and footnote disclosures.

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## Note 2. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (“AOCI”) by component, net of tax, for the second quarter and six months ended July 3, 2016 and June 28, 2015 are as follows (in millions):

	Foreign Currency Translation	Cash Flow Hedges and Other	Pension and Postretirement Benefits	Total
Balance as of April 3, 2016	\$ (151.1 )	\$ (2.1 )	\$ (228.7 )	\$ (381.9 )
Other comprehensive income (loss) before reclassifications	(11.8 )	0.3	—	(11.5 )
Amounts reclassified from AOCI	—	0.6	3.9	4.5
Net other comprehensive income (loss)	(11.8 )	0.9	3.9	(7.0 )
Balance as of July 3, 2016	\$ (162.9 )	\$ (1.2 )	\$ (224.8 )	\$ (388.9 )

	Foreign Currency Translation	Cash Flow Hedges and Other	Pension and Postretirement Benefits	Total
Balance as of March 29, 2015	\$ (139.8 )	\$ (7.6 )	\$ (222.4 )	\$ (369.8 )
Other comprehensive income before reclassifications	20.8	0.4	—	21.2
Amounts reclassified from AOCI	—	1.4	4.0	5.4
Net other comprehensive income	20.8	1.8	4.0	26.6
Balance as of June 28, 2015	\$ (119.0 )	\$ (5.8 )	\$ (218.4 )	\$ (343.2 )

	Foreign Currency Translation	Cash Flow Hedges and Other	Pension and Postretirement Benefits	Total
Balance as of January 3, 2016	\$ (174.2 )	\$ (6.7 )	\$ (232.3 )	\$ (413.2 )
Other comprehensive income before reclassifications	11.3	3.3	—	14.6
Amounts reclassified from AOCI	—	2.2	7.5	9.7
Net other comprehensive income	11.3	5.5	7.5	24.3
Balance as of July 3, 2016	\$ (162.9 )	\$ (1.2 )	\$ (224.8 )	\$ (388.9 )

	Foreign Currency Translation	Cash Flow Hedges and Other	Pension and Postretirement Benefits	Total
Balance as of December 28, 2014	\$ (90.6 )	\$ (5.3 )	\$ (227.3 )	\$ (323.2 )
Other comprehensive loss before reclassifications	(28.4 )	(2.9 )	—	(31.3 )
Amounts reclassified from AOCI	—	2.4	8.9	11.3
Net other comprehensive income (loss)	(28.4 )	(0.5 )	8.9	(20.0 )
Balance as of June 28, 2015	\$ (119.0 )	\$ (5.8 )	\$ (218.4 )	\$ (343.2 )

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The reclassifications out of AOCI for the second quarter and six months ended July 3, 2016 and June 28, 2015 are as follows (in millions):

	Amount Reclassified from AOCI Three Months Ended July 3, 2016	Amount Reclassified from AOCI Three Months Ended June 28, 2015	Statement of Income      Presentation
Loss on cash flow hedges:			
Loss recognized in income on derivatives	\$ 0.8	\$ 1.8	Cost of sales
Income tax benefit	(0.2 )	(0.4 )	Income tax benefit
Total			