BENCHMARK ELECTRONICS INC
Form 10-Q
August 08, 2018

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 30, 2018

__ 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 10560

BENCHMARK ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

	Texas	**74 2211011**

	(State or other jurisdiction	(I.R.S. Employer
	of incorporation or organization)	Identification No.)
4141 N. Scottsdale Road		**85251**
Scottsdale, Arizona		(Zip Code)
(Address of principal executive offices)		

(623) 300-7000

(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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b–2 of the Exchange Act.

Large accelerated filer [√]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]
Emerging growth company [ ]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

As of August 6, 2018, there were 46,585,922 shares of Common Stock of Benchmark Electronics, Inc., par value $0.10 per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

(in thousands, except par value)	June 30, 2018	December 31, 2017 (as adjusted)
Assets		
Current assets:		
Cash and cash equivalents	$ 595,639	$ 742,546
Accounts receivable, net of allowance for doubtful accounts of $105 and $105, respectively	444,953	436,560
Contract assets	148,231	146,496
Inventories	318,986	268,917
Prepaid expenses and other assets	35,277	36,018
Income taxes receivable	—	120
Total current assets	1,543,086	1,630,657
Property, plant and equipment, net of accumulated depreciation of $445,939 and $432,043, respectively	203,872	186,473
Goodwill	192,116	191,616
Deferred income taxes	4,034	4,034
Other, net	94,077	96,524
	$ 2,037,185	$ 2,109,304
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt and capital lease obligations	$ 21,219	$ 18,274
Accounts payable	383,606	362,701
Income taxes payable	20,803	11,663
Accrued liabilities	75,368	85,679
Total current liabilities	500,996	478,317
Long-term debt and capital lease obligations, less current installments	181,777	193,406
Other long-term liabilities	90,262	89,749
Deferred income taxes	20,005	8,694
Shareholders' equity:		
Preferred stock, $0.10 par value; 5,000 shares authorized, none issued	—	—
Common stock, $0.10 par value; 145,000 shares authorized; issued		

and outstanding – 47,334 and 49,143, respectively	4,733	4,914
Additional paid-in capital	607,984	634,192
Retained earnings	639,779	708,181
Accumulated other comprehensive loss	(8,351)	(8,149)
Total shareholders' equity	1,244,145	1,339,138
Commitments and contingencies		
	$ 2,037,185	$ 2,109,304

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Loss)

(unaudited)

(in thousands, except per share data)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017 (as adjusted)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017 (as adjusted)
Sales	$ 660,591	$ 619,611	$ 1,268,727	$ 1,177,514
Cost of sales	606,292	560,127	1,156,110	1,070,498
Gross profit	54,299	59,484	112,617	107,016
Selling, general and administrative expenses	35,825	32,335	71,575	64,986
Amortization of intangible assets	2,367	2,481	4,733	4,962
Restructuring charges and other costs	1,758	1,544	3,993	3,055
Income from operations	14,349	23,124	32,316	34,013
Interest expense	(2,293)	(2,312)	(4,721)	(4,537)
Interest income	1,645	1,213	3,578	2,287
Other expense	(355)	(830)	(312)	(911)
Income before income taxes	13,346	21,195	30,861	30,852
Income tax expense	2,403	3,121	43,559	4,223
Net income (loss)	$ 10,943	$ 18,074	$ (12,698)	$ 26,629
Earnings (loss) per share:				
Basic	$ 0.23	$ 0.36	$ (0.26)	$ 0.54
Diluted	$ 0.23	$ 0.36	$ (0.26)	$ 0.53
Weighted-average number of shares outstanding:				
Basic	47,451	49,766	47,981	49,640
Diluted	47,631	50,239	47,981	50,209

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2018**	**2017 (as adjusted)**	**2018**	**2017 (as adjusted)**
Net income (loss)	$ 10,943	$ 18,074	$ (12,698)	$ 26,629
Other comprehensive income (loss):				
Foreign currency translation adjustments	(2,652)	2,513	(1,320)	3,121
Unrealized gain on investments, net of tax	41	12	41	16
Unrealized gain (loss) on derivative, net of tax	244	(200)	1,077	165
Other	—	—	—	(13)
Other comprehensive income (loss)	(2,367)	2,325	(202)	3,289
Comprehensive income (loss)	$ 8,576	$ 20,399	$ (12,900)	$ 29,918

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Shareholders' Equity

(unaudited)

(in thousands)	Common Stock Shares Outstanding	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances, December 31, 2017 (as adjusted)	49,143	$ 4,914	$ 634,192	$ 708,181	$ (8,149)	$ 1,339,138
Stock-based compensation expense	—	—	5,405	—	—	5,405
Shares repurchased and retired	(2,174)	(217)	(34,183)	(41,468)	—	(75,868)
Stock options exercised	182	18	3,359	—	—	3,377
Vesting of restricted stock units	209	21	(21)	—	—	—
Shares withheld for taxes	(26)	(3)	(768)	—	—	(771)
Dividends declared	—	—	—	(14,236)	—	(14,236)
Net loss	—	—	—	(12,698)	—	(12,698)
Other comprehensive loss	—	—	—	—	(202)	(202)
Balances, June 30, 2018	47,334	$ 4,733	$ 607,984	$ 639,779	$ (8,351)	$ 1,244,145

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in thousands)	**Six Months Ended June 30, 2018**	**2017 (as adjusted)**
Cash flows from operating activities:		
Net income (loss)	$ (12,698)	$ 26,629
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	19,373	18,414
Amortization	5,710	5,903
Deferred income taxes	10,936	1,360
Gain on the sale of property, plant and equipment	(116)	(167)
Asset impairments	96	—
Stock-based compensation expense	5,405	4,505
Changes in operating assets and liabilities, net of effects from business acquisition:		
Accounts receivable	(8,980)	49,394
Contract assets	(1,735)	3,466
Inventories	(52,063)	(39,478)
Prepaid expenses and other assets	1,966	(7,233)
Accounts payable	23,103	16,675
Accrued liabilities	(16,025)	13,388
Income taxes	8,846	(327)
Net cash provided by (used in) operations	(16,182)	92,529
Cash flows from investing activities:		
Proceeds from sales of investments at par	522	250
Additions to property, plant and equipment	(36,708)	(24,039)
Proceeds from the sale of property, plant and equipment	137	235
Additions to purchased software	(1,655)	(2,340)
Business acquisition, net of cash acquired	(2,731)	—
Other	(129)	(105)
Net cash used in investing activities	(40,564)	(25,999)
Cash flows from financing activities:		
Proceeds from stock options exercised	3,377	8,094
Employee taxes paid for shares withheld	(771)	(379)
Dividends paid	(7,136)	—
Borrowings under credit agreement	50,000	—
Principal payments on long-term debt and capital lease obligations	(59,121)	(6,185)
Share repurchases	(65,868)	(2,000)

Equity forward contract related to accelerated share repurchase	(10,000)	—
Debt issuance costs	—	(433)
Net cash used in financing activities	(89,519)	(903)
Effect of exchange rate changes	(642)	2,251
Net increase (decrease) in cash and cash equivalents	(146,907)	67,878
Cash and cash equivalents at beginning of year	742,546	681,433
Cash and cash equivalents at end of period	$ 595,639	$ 749,311

See accompanying notes to condensed consolidated financial statements.

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BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(amounts in thousands, except per share data, unless otherwise noted)

(unaudited)

Note 1 – Basis of Presentation

Benchmark Electronics, Inc. (the Company) is a Texas corporation that provides worldwide engineering services, integrated technology solutions and manufacturing services (both electronic manufacturing services (EMS) and precision technology manufacturing services) to original equipment manufacturers (OEMs) in the following industries: industrial controls, aerospace and defense (A&D), telecommunications, computers and related products for business enterprises, medical devices, and test and instrumentation. The Company has manufacturing operations located in the United States and Mexico (the Americas), Asia and Europe.

The unaudited condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The financial statements reflect all normal and recurring adjustments necessary in the opinion of management for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company’s annual report on Form 10 K for the year ended December 31, 2017 (the 2017 10-K).

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP). Actual results could differ from those estimates and assumptions.

Note 2 – New Accounting Pronouncements

Adopted in 2018

In May 2017, the Financial Accounting Standards Board (FASB) issued a new accounting standards update that provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The Company adopted the new guidance effective January 1, 2018. The impact of adoption on the Company's consolidated financial statements is dependent on future changes to stock-based compensation awards.

In August 2016, the FASB issued a new accounting standards update, which seeks to reduce the existing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted this new update effective January 1, 2018. The adoption of this guidance had no impact on the consolidated financial statements of the Company.

In May 2014, the FASB issued a new standard (commonly referred to as ASC 606), which changed the way the Company recognizes revenue and significantly expanded the disclosure requirements for revenue arrangements. The Company adopted ASC 606 with a date of the initial application of January 1, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company applied ASC 606 using the full retrospective transition method. The Company elected the ASC 606 practical expedient and does not disclose the information about remaining performance obligations that have original expected durations of one year or less. Amounts prior to January 1, 2018 that have been adjusted in accordance with ASC 606 as described herein are noted “as adjusted”.

Previously, the Company recognized revenue from the sale of manufactured products built to customer specifications and excess inventory when title and risk of ownership passed, the price to the buyer was fixed or determinable and recoverability was reasonably assured, which was generally when the goods were shipped. Under ASC 606, the Company recognizes revenue as the customer takes control of the products. Under the majority of the Company's manufacturing contracts with customers, the customer controls all of the work-in-progress as products are being built. Revenues under these contracts are recognized progressively based on the cost-to-cost method. Accordingly, the Company will recognize revenue under these contracts earlier than under the previous accounting rules. Under other manufacturing contracts, the customer does not take control of the product until it is completed. Under these contracts, the Company continues to recognize revenue upon transfer of control of product to the customer. Revenue from design, development and engineering services also continues to be recognized over time as the services are performed.

The Company's performance obligations generally have an expected duration of one year or less. The Company applies the practical expedients and does not disclose information about remaining performance obligations that have original expected durations of one year or less or any significant financing components in the contracts.

The Company recognizes the incremental costs, if any, of obtaining contracts as an expense when incurred since the amortization period of the assets that the Company otherwise would have recognized is one year less.

The following tables summarize the impacts of ASC 606 adoption on the Company's 2017 consolidated financial statements.

Condensed Consolidated Balance Sheet
December 31, 2017

	Impact of changes in accounting policies		
(in thousands)	**As previously reported**	**Adjustments**	**As adjusted**
Contract assets	$ —	$ 146,496	$ 146,496
Inventories	397,181	(128,264)	268,917
Prepaid expenses and other assets	42,263	(6,245)	36,018
Total assets	$ 2,097,317	$ 11,987	$ 2,109,304
Income taxes payable	$ 11,662	$ 1	$ 11,663
Deferred income taxes	7,027	1,667	8,694
Total liabilities	768,498	1,668	770,166
Retained earnings	697,862	10,319	708,181
Total shareholders' equity	1,328,819	10,319	1,339,138
Total liabilities and shareholders' equity	$ 2,097,317	$ 11,987	$ 2,109,304

Condensed Consolidated Statement of Income
Three Months Ended June 30, 2017

(in thousands, except per share data)	Impact of changes in accounting policies As previously reported	Adjustments	As adjusted
Sales	$ 616,904	$ 2,707	$ 619,611
Cost of sales	$ 558,317	$ 1,810	$ 560,127
Income tax expense	$ 3,122	$ (1)	$ 3,121
Net income	$ 17,176	$ 898	$ 18,074
Earnings per share:			
Basic	$ 0.35	$ 0.01	$ 0.36
Diluted	$ 0.34	$ 0.02	$ 0.36
Weighted-average number of shares outstanding:			
Basic	49,766	49,766	49,766
Diluted	50,239	50,239	50,239

Condensed Consolidated Statement of Income
Six Months Ended June 30, 2017

(in thousands, except per share data)	Impact of changes in accounting policies As previously reported	Adjustments	As adjusted
Sales	$ 1,183,405	$ (5,891)	$ 1,177,514
Cost of sales	$ 1,075,758	$ (5,260)	$ 1,070,498
Income tax expense	$ 4,620	$ (397)	$ 4,223
Net income	$ 26,863	$ (234)	$ 26,629
Earnings per share:			
Basic	$ 0.54	$ —	$ 0.54
Diluted	$ 0.54	$ (0.01)	$ 0.53
Weighted-average number of shares outstanding:			
Basic	49,640	49,640	49,640
Diluted	50,209	50,209	50,209

Condensed Consolidated Statement of Cashflows
Six Months Ended June 30, 2017

	Impact of changes in accounting policies		
(in thousands)	**As previously reported**	**Adjustments**	**As adjusted**
Net income	$ 26,863	$ (234)	$ 26,629
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	18,414	—	18,414
Amortization	5,903	—	5,903
Deferred income taxes	2,103	(743)	1,360
Gain on the sale of property, plant and equipment	(167)	—	(167)
Stock-based compensation expense	4,505	—	4,505
Changes in operating assets and liabilities:			
Accounts receivable	49,394	—	49,394
Contract assets	—	3,466	3,466
Inventories	(34,218)	(5,260)	(39,478)
Prepaid expenses and other assets	(9,658)	2,425	(7,233)
Accounts payable	16,675	—	16,675
Accrued liabilities	13,388	—	13,388
Income taxes	(673)	346	(327)
Net cash provided by operations	92,529	—	92,529
Net cash used in investing activities	(25,999)	—	(25,999)
Net cash used in financing activities	(903)	—	(903)
Effect of exchange rate changes	2,251	—	2,251
Net increase in cash and cash equivalents	67,878	—	67,878
Cash and cash equivalents at beginning of year	681,433	—	681,433
Cash and cash equivalents at end of period	$ 749,311	$ —	$ 749,311

Not Yet Adopted

In February 2018, the FASB issued new accounting guidance that allows the reclassification of certain tax effects from accumulated other comprehensive income to retained earnings. This guidance is effective January 1, 2019, with early adoption permitted. The Company is evaluating whether it will adopt this new guidance along with any impacts on the Company's financial position, results of operations and cash flows, none of which are expected to be material.

In June 2016, the FASB issued a new accounting standards update, which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for annual reporting periods beginning after December 15, 2019. The Company does not expect the implementation of this update to have a material impact on its consolidated financial position, results of operations or cash flows and will adopt this update effective January 1, 2020.

In February 2016, the FASB issued a new accounting standards update changing the accounting for leases, including a requirement to record all leases on the consolidated balance sheets as assets (right-of-use) and liabilities (for reasonably certain lease payments). This update is effective for fiscal years beginning after December 15, 2018. The Company will adopt this update effective January 1, 2019, which will impact its consolidated balance sheet. Originally, entities were required to adopt this update using a modified retrospective approach, which required prior periods to be presented under this new standard with various practical expedients allowed. However, in July 2018, the FASB issued additional guidance which allows entities the option of recognizing the cumulative effect of applying the new standard as an adjustment to the opening balance of retained earnings in the year of adoption (January 1, 2019). The Company is currently evaluating the impact this standard will have on its consolidated financial statements and which transition approach will be used upon adoption.

The Company has determined that other recently issued accounting standards will either have no material impact on its consolidated financial position, results of operations or cash flows, or will not apply to its operations.

Note 3 – Revenue

The Company's revenues are generated primarily from the sale of manufactured products built to customer specifications. The Company also generates revenue from design, development and engineering services, in addition to the sale of excess inventory.

Revenue is measured based on a consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a manufactured product to a customer. The Company's contracts with customers are short-term in nature. Customers are generally billed when the product is shipped or as services are performed. Under the majority of the Company's manufacturing contracts with customers, the customer controls all of the work-in-progress as products are being built. Revenues under these contracts are recognized progressively based on the cost-to-cost method. For other manufacturing contracts, the customer does not take control of the product until it is completed. Under these contracts, the Company recognizes revenue upon transfer of control of product to the customer. Revenue from design, development and engineering services is recognized over time as the services are performed. The Company assumes no significant obligations after shipment as it typically warrants workmanship only. Therefore, the warranty provisions are generally not significant.

If the Company had recorded revenue, but not issued an invoice, a contract asset is recognized. The contract asset is transferred to accounts receivable when the entitlement to payment becomes unconditional.

Taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of sales.

Disaggregation of revenue

In the following tables, revenue is disaggregated by market sector. The tables also include a reconciliation of the disaggregated revenue with the reportable operating segments.

	Reportable Operating Segments Three Months Ended June 30, 2018			
(in thousands)	**Americas**	**Asia**	**Europe**	**Total**
Market Sector:				
Industrials	$ 45,138	$ 55,919	$ 16,711	$ 117,768
A&D	94,066	1,518	6,924	102,508
Medical	59,383	34,101	3,564	97,048
Test and instrumentation	47,333	41,552	17,185	106,070
Computing	141,417	17,528	1,692	160,637
Telecommunication	39,461	36,907	192	76,560
External revenue	426,798	187,525	46,268	660,591
Elimination of intersegment sales	7,480	10,103	87	17,670
Segment revenue	$ 434,278	$ 197,628	$ 46,355	$ 678,261

	Six Months Ended June 30, 2018			
	Americas	**Asia**	**Europe**	**Total**
Market Sector:				
Industrials	$ 97,867	$ 109,576	$ 34,885	$ 242,328
A&D	182,480	2,648	15,247	200,375
Medical	114,375	72,364	7,596	194,335
Test and instrumentation	93,202	80,785	34,297	208,284
Computing	227,638	32,428	4,109	264,175
Telecommunication	83,355	74,992	883	159,230
External revenue	798,917	372,793	97,017	1,268,727
Elimination of intersegment sales	14,146	19,957	134	34,237
Segment revenue	$ 813,063	$ 392,750	$ 97,151	$ 1,302,964

	Reportable Operating Segments Three Months Ended June 30, 2017 (as adjusted)			
(in thousands)	**Americas**	**Asia**	**Europe**	**Total**
Market Sector:				
Industrials	$ 56,053	$ 52,094	$ 16,607	$ 124,754
A&D	93,047	917	6,116	100,080
Medical	48,139	33,822	4,874	86,835
Test and instrumentation	37,766	38,655	12,395	88,816
Computing	116,547	23,166	2,518	142,231
Telecommunication	45,239	31,222	434	76,895
External revenue	396,791	179,876	42,944	619,611
Elimination of intersegment sales	8,643	14,604	66	23,313

Segment revenue	$ 405,434	$ 194,480	$ 43,010	$ 642,924

	Six Months Ended June 30, 2017 (as adjusted)			
	Americas	**Asia**	**Europe**	**Total**
Market Sector:				
Industrials	$ 110,150	$ 97,885	$ 33,905	$ 241,940
A&D	186,456	1,049	12,475	199,980
Medical	95,740	66,299	9,721	171,760
Test and instrumentation	70,420	73,349	20,797	164,566
Computing	194,360	42,732	5,398	242,490
Telecommunication	93,153	62,386	1,239	156,778
External revenue	750,279	343,700	83,535	1,177,514
Elimination of intersegment sales	16,475	30,084	119	46,678
Segment revenue	$ 766,754	$ 373,784	$ 83,654	$ 1,224,192

For the six months ended June 30, 2018 and 2017, 95.3% and 95.6%, respectively, of the Company's revenue was recognized as products and services are transferred over time.

Note 4 – Stock-Based Compensation

The Company's 2010 Omnibus Incentive Compensation Plan (the 2010 Plan) authorizes the Company, upon approval of the Compensation Committee of the Board of Directors, to grant a variety of awards, including stock options, restricted shares and restricted stock units (both time-based and performance-based) and other forms of equity awards, or any combination thereof, to any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company. Stock options (which have not been awarded since 2015) are granted to employees with an exercise price equal to the market price of the Company's common stock on the date of grant, generally vest over a four-year period from the date of grant and have a term of 10 years. Time-based restricted stock units granted to employees generally vest over a four-year period from the date of grant, subject to the continued employment of the employee by the Company. Performance-based restricted stock units generally vest over a three-year performance cycle, which includes the year of the grant, and are based upon the Company's achievement of specified performance metrics. Awards under the 2010 Plan to non-employee directors have been in the form of restricted stock units, which vest in equal quarterly installments over a one-year period, starting on the grant date.

As of June 30, 2018, 2.7 million additional shares of common stock were available for issuance under the Company's 2010 Plan.

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based on their grant date fair values. The total compensation cost recognized for stock-based awards was $2.5 million and $5.4 million for the three and six months ended June 30, 2018, respectively, and $2.3 million and $4.5 million for the three and six months ended June 30, 2017, respectively. The total income tax benefit recognized in the condensed income statements for stock-based awards was $0.6 million and $1.3 million for the three and six months ended June 30, 2018, respectively, and $0.9 million and $1.6 million for the three and six months ended June 30, 2017, respectively. The compensation expense for stock-based awards is recognized over the vesting period of the awards using the straight-line method. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. Awards of restricted stock units and performance-based restricted stock units are valued at the closing market price of the Company's common stock on the date of grant. For performance-based restricted stock units, compensation expense is based on the probability that the performance goals will be achieved, which is monitored by management throughout the requisite service period. When it becomes probable, based on the Company's expectation of performance during the measurement period, that more or less than the previous estimate of the awarded shares will vest, an adjustment to stock-based compensation expense is recognized as a change in accounting estimate.

As of June 30, 2018, the unrecognized compensation cost and remaining weighted-average amortization related to stock-based awards were as follows:

(in thousands, except remaining period data)	**Stock Options**	**Time-based Restricted Stock Units**	**Performance-based Restricted Stock Units[(1)]**
Unrecognized compensation cost	$ 185	$ 17,183	$ 4,732
Remaining weighted-average amortization period	0.7 years	2.6 years	1.6 years

[(1)] Based on the probable achievement of the performance goals identified in each award.

The total cash received by the Company as a result of stock option exercises for the six months ended June 30, 2018 and 2017 was approximately $3.4 million and $8.1 million, respectively. The actual tax benefit realized as a result of stock option exercises and the vesting of other share-based awards during the six months ended June 30, 2018 and 2017 was $1.9 million and $3.8 million, respectively. For the six months ended June 30, 2018 and 2017, the total intrinsic value of stock options exercised was $2.2 million and $5.2 million, respectively.

The Company awarded performance-based restricted stock units to employees during the six months ended June 30, 2018 and 2017. The number of performance-based restricted stock units that will ultimately be earned will not be determined until the end of the corresponding performance periods, and may vary from as low as zero to as high as 2.5 times the target number depending on the level of achievement of certain performance goals. The level of achievement of these goals is based upon the financial results of the Company for the last full calendar year within the performance period. The performance goals consist of certain levels of achievement using the following financial metrics: revenue growth, operating margin expansion, and return on invested capital. If the performance goals are not met based on the Company's financial results, the applicable performance-based restricted stock units will not vest and will be forfeited. Shares subject to forfeited performance-based restricted stock units will be available for issuance under the Company's 2010 Plan.

The following table summarizes activities relating to the Company's stock options:

	Number of Options (in thousands)	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value (in thousands)**
Outstanding as of December 31, 2017	596	$19.72		

Exercised	(182)	18.57		
Forfeited or expired	(20)	22.97		
Outstanding as of June 30, 2018	394	$20.10	4.74	$ 3,568
Exercisable as of June 30, 2018	358	$19.79	3.73	$ 3,350

The aggregate intrinsic value in the table above is before income taxes and is calculated as the difference between the exercise price of the underlying options and the Company’s closing stock price as of the last business day of the period ended June 30, 2018 for options that had exercise prices that were below the closing price.

The following table summarizes the activities related to the Company’s time-based restricted stock units:

	Number of Units (in thousands)	**Weighted-Average Grant Date Fair Value**
Non-vested units outstanding as of December 31, 2017	593	$27.47
Granted	385	29.67
Vested	(209)	26.51
Forfeited	(70)	27.02
Non-vested units outstanding as of June 30, 2018	699	$29.01

The following table summarizes the activities related to the Company’s performance-based restricted stock units:

	Number of Units (in thousands)	**Weighted-Average Grant Date Fair Value**
Non-vested units outstanding as of December 31, 2017	346	$26.88
Granted (1)	109	29.92
Forfeited	(145)	23.97
Non-vested units outstanding as of June 30, 2018	310	$29.31

(1) Represents target number of units that can vest based on the achievement of the performance goals.

Note 5 – Earnings Per Share

Basic earnings per share is computed using the weighted-average number of shares outstanding. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for the incremental shares attributed to outstanding stock equivalents. Stock equivalents include common stock issuable upon the exercise of stock options and other equity instruments, and are computed using the treasury stock method. Under the treasury stock method, the exercise price of a share and the amount of compensation cost, if any, for future service that the Company has not yet recognized are assumed to be used to repurchase shares in the current period.

The following table sets forth the calculation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	**2018**	**2017**	**2018**	**2017**
		(as adjusted)		**(as adjusted)**
Net income (loss)	$ 10,943	$ 18,074	$ (12,698)	$ 26,629
Denominator for basic earnings per share - weighted-average number of common shares outstanding during the period	47,451	49,766	47,981	49,640
Incremental common shares attributable to exercise of dilutive options	116	318	—	341
Incremental common shares attributable to outstanding restricted stock units	64	155	—	228
Denominator for diluted earnings per share	47,631	50,239	47,981	50,209
Basic earnings (loss) per share	$ 0.23	$ 0.36	$ (0.26)	$ 0.54
Diluted earnings (loss) per share	$ 0.23	$ 0.36	$ (0.26)	$ 0.53

Potentially dilutive securities totaling 0.3 million common shares for the six months ended June 30, 2018 were not included in the computation of diluted loss per share because their effect would have decreased the loss per share.

Note 6 – Goodwill and Other Intangible Assets

Goodwill allocated to the Company's reportable segments was as follows:

(in thousands)	**Americas**	**Asia**	**Total**
Goodwill as of December 31, 2017	$ 153,514	$ 38,102	$ 191,616
Acquisition	500	—	500
Goodwill as of June 30, 2018	$ 154,014	$ 38,102	$ 192,116

During the three months ended June 30, 2018, the Company completed a non-significant business acquisition for $2.7 million. The preliminary allocation of the net purchase price resulted in $0.5 million of goodwill. The goodwill recognized in connection with the acquisition represents the future economic benefit arising from assets acquired that could not be individually identified and separately recognized, and is attributable to the general reputation, acquisition synergies and expected future cash flows of the acquisition. The final allocation of the purchase price, which the Company expects to complete no later than one year from the acquisition date, may differ from the amounts included in these financial statements.

Management does not expect additional adjustments, if any, resulting from changes to the purchase price allocation, to have a material effect on the Company's financial position or results of operations.

Other assets consist primarily of acquired identifiable intangible assets and capitalized purchased software costs. Intangible assets as of June 30, 2018 and December 31, 2017 were as follows:

	As of June 30, 2018		
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Customer relationships	$ 100,170	$ (37,513)	$ 62,657
Purchased software costs	36,806	(29,974)	6,832
Technology licenses	28,800	(19,438)	9,362
Trade names and trademarks	7,800	—	7,800
Other	868	(273)	595
Total	$ 174,444	$ (87,198)	$ 87,246

	As of December 31, 2017		
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Customer relationships	$ 100,200	$ (34,372)	$ 65,828
Purchased software costs	35,328	(29,612)	5,716
Technology licenses	28,800	(17,887)	10,913
Trade names and trademarks	7,800	—	7,800
Other	868	(261)	607
Total	$ 172,996	$ (82,132)	$ 90,864

Customer relationships are being amortized on a straight-line basis over a period of 10 to 14 years. Capitalized purchased software costs are being amortized on a straight-line basis over the estimated useful life of the related software, which ranges from 2 to 10 years. Technology licenses are being amortized over their estimated useful lives in proportion to the economic benefits consumed. The Company's acquired trade names and trademarks have been determined to have an indefinite life. Amortization for the six months ended June 30, 2018 and 2017 was as follows:

	Six Months Ended June 30,	
(in thousands)	**2018**	**2017**
Amortization of intangible assets	$ 4,733	$ 4,962
Amortization of capitalized purchased software costs	540	516
Amortization of debt costs	437	425
	$ 5,710	$ 5,903

The estimated future amortization expense of acquired intangible assets for each of the next five years is as follows (in thousands):

Year ending December 31,		Amount
2018 (remaining six months)	$	5,336
2019		11,311
2020		10,499
2021		7,312
2022		7,242

Note 7 – Borrowing Facilities

As of June 30, 2018, the Company had a $430 million Credit Agreement (the Credit Agreement) with JPMorgan Chase Bank, N.A. as administrative agent and collateral agent (the Administrative Agent), and the financial institutions acting as lenders thereunder from time to time. This Credit Agreement provided for a five-year $200 million revolving credit facility (the Revolving Credit Facility) and a five-year $230 million term loan facility (the Term Loan). The Revolving Credit Facility was available for general corporate purposes, could be drawn in foreign currencies up to an amount equivalent to $20 million, and could be used for letters of credit up to $20 million. The Credit Agreement included an accordion feature, pursuant to which total commitments under the facility could be increased by an additional $150 million, subject to satisfaction of certain conditions.

The Term Loan was payable in minimum quarterly principal installments of $4.3 million in 2018, $5.8 million in 2019, and $8.6 million in 2020, with the balance payable on the maturity date.

Interest on outstanding borrowings under the Credit Agreement accrued, at our option, at (a) the adjusted London interbank offered rate (LIBOR) plus 1.25% to 2.25%, or (b) the alternative base rate plus 0.25% to 1.25%, and was payable quarterly in arrears. The alternative base rate was equal to the highest of (i) the Administrative Agent's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the adjusted LIBOR rate plus 1.00%. The margin on the interest rates fluctuated based upon the ratio of the Company's debt to its consolidated EBITDA. As of June 30, 2018, $148.8 million of the outstanding debt under the Credit Agreement was effectively at a fixed interest rate as a result of a $148.8 million notional interest rate swap contract discussed in Note 16. A commitment fee of 0.30% to 0.40% per annum (based on the debt to EBITDA ratio) on the unused portion of the revolving credit line was payable quarterly in arrears.

The Credit Agreement was generally secured by a pledge of (a) all the capital stock of the Company's domestic subsidiaries and 65% of the capital stock of its directly owned foreign subsidiaries, (b) any debt owed to Benchmark and its subsidiaries and (c) all or substantially all other personal property of Benchmark and its domestic subsidiaries (including, accounts receivable, contract assets, inventory and fixed assets of Benchmark and its domestic subsidiaries), in each case, subject to customary exceptions and limitations. The Credit Agreement contained financial covenants as to debt leverage and interest coverage, and certain customary affirmative and negative covenants, including restrictions on our ability to incur additional debt and liens, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. Amounts due under the Credit Agreement could b