

Vishay Precision Group, Inc.
Form 10-Q
November 04, 2015

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 26, 2015

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 1-34679

VISHAY PRECISION GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware 27-0986328
(State or Other Jurisdiction of Incorporation) (I.R.S. Employer Identification Number)

3 Great Valley Parkway, Suite 150
Malvern, PA 19355 484-321-5300
(Address of Principal Executive Offices) (Zip Code) (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 (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 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 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

As of November 4, 2015, the registrant had 12,144,485 shares of its common stock and 1,025,158 shares of its Class B convertible common stock outstanding.

VISHAY PRECISION GROUP, INC.
 FORM 10-Q
 September 26, 2015
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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Balance Sheets

(In thousands)

	September 26, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$63,174	\$79,642
Accounts receivable, net	37,230	37,427
Inventories:		
Raw materials	13,435	14,223
Work in process	20,774	19,813
Finished goods	21,689	18,806
Inventories, net	55,898	52,842
Deferred income taxes	5,512	5,636
Prepaid expenses and other current assets	10,032	10,361
Total current assets	171,846	185,908
Property and equipment, at cost:		
Land	1,871	1,893
Buildings and improvements	50,895	49,909
Machinery and equipment	81,519	78,500
Software	7,086	6,837
Construction in progress	2,605	2,928
Accumulated depreciation	(93,983	) (89,374
Property and equipment, net	49,993	50,693
Goodwill	6,450	12,788
Intangible assets, net	13,800	17,381
Other assets	20,931	20,393
Total assets	\$263,020	\$287,163

Continues on the following page.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Balance Sheets (continued)

(In thousands)

	September 26, 2015 (Unaudited)	December 31, 2014
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$8,140	\$10,559
Payroll and related expenses	13,248	14,216
Other accrued expenses	15,665	16,902
Income taxes	47	2,133
Current portion of long-term debt	5,870	5,120
Total current liabilities	42,970	48,930
Long-term debt, less current portion	13,122	17,713
Deferred income taxes	469	638
Other liabilities	7,230	7,644
Accrued pension and other postretirement costs	11,899	12,353
Total liabilities	75,690	87,278
Commitments and contingencies		
Equity:		
Common stock	1,276	1,273
Class B convertible common stock	103	103
Treasury stock	(8,765	) (32
Capital in excess of par value	190,149	189,532
Retained earnings	35,728	35,335
Accumulated other comprehensive loss	(31,299	) (26,560
Total Vishay Precision Group, Inc. stockholders' equity	187,192	199,651
Noncontrolling interests	138	234
Total equity	187,330	199,885
Total liabilities and equity	\$263,020	\$287,163

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Fiscal quarter ended	
	September 26, 2015	September 27, 2014
Net revenues	\$57,149	\$63,402
Costs of products sold	35,699	39,732
Gross profit	21,450	23,670
Selling, general, and administrative expenses	17,760	19,647
Impairment of goodwill and indefinite-lived intangibles	4,942	—
Restructuring costs	459	144
Operating (loss) income	(1,711)	) 3,879
Other income (expense):		
Interest expense	(158)	) (215)
Other	(387)	) 123
Other income (expense) - net	(545)	) (92)
(Loss) income before taxes	(2,256)	) 3,787
Income tax (benefit) expense	(304)	) 523
Net (loss) earnings	(1,952)	) 3,264
Less: net (loss) earnings attributable to noncontrolling interests	(9)	) 30
Net (loss) earnings attributable to VPG stockholders	\$(1,943)	) \$3,234
Basic (loss) earnings per share attributable to VPG stockholders	\$(0.15)	) \$0.24
Diluted (loss) earnings per share attributable to VPG stockholders	\$(0.15)	) \$0.23
Weighted average shares outstanding - basic	13,347	13,757
Weighted average shares outstanding - diluted	13,347	13,977

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Nine fiscal months ended	
	September 26, 2015	September 27, 2014
Net revenues	\$173,265	\$189,804
Costs of products sold	109,801	119,515
Gross profit	63,464	70,289
Selling, general, and administrative expenses	54,904	58,707
Impairment of goodwill and indefinite-lived intangibles	4,942	—
Restructuring costs	841	475
Operating income	2,777	11,107
Other income (expense):		
Interest expense	(518	) (671
Other	(1,730	) (560
Other income (expense) - net	(2,248	) (1,231
Income before taxes	529	9,876
Income tax expense	174	1,800
Net earnings	355	8,076
Less: net (loss) earnings attributable to noncontrolling interests	(38	) 89
Net earnings attributable to VPG stockholders	\$393	\$7,987
Basic earnings per share attributable to VPG stockholders	\$0.03	\$0.58
Diluted earnings per share attributable to VPG stockholders	\$0.03	\$0.57
Weighted average shares outstanding - basic	13,558	13,755
Weighted average shares outstanding - diluted	13,772	13,968

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Comprehensive Income (Loss)
(Unaudited - In thousands)

	Fiscal quarter ended	
	September 26, 2015	September 27, 2014
Net (loss) earnings	\$(1,952	) \$3,264
Other comprehensive income (loss):		
Foreign currency translation adjustment	(2,352	) (4,026)
Pension and other postretirement actuarial items, net of tax	164	85
Other comprehensive loss	(2,188	) (3,941)
Total comprehensive loss	(4,140	) (677)
Less: comprehensive (loss) income attributable to noncontrolling interests	(9	) 30
Comprehensive loss attributable to VPG stockholders	\$(4,131) \$(707)

See accompanying notes.

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VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statements of Comprehensive Income (Loss)
(Unaudited - In thousands)

	Nine fiscal months ended	
	September 26, 2015	September 27, 2014
Net earnings	\$355	\$8,076
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(5,032)	(3,233)
Pension and other postretirement actuarial items, net of tax	293	79
Other comprehensive loss	(4,739)	(3,154)
Total comprehensive (loss) income	(4,384)	4,922
Less: comprehensive (loss) income attributable to noncontrolling interests	(38)	89
Comprehensive (loss) income attributable to VPG stockholders	\$(4,346)	\$4,833

See accompanying notes.

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VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Cash Flows
(Unaudited - In thousands)

	Nine fiscal months ended	
	September 26, 2015	September 27, 2014
Operating activities		
Net earnings	\$355	\$8,076
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Impairment of goodwill and indefinite-lived intangibles	4,942	—
Depreciation and amortization	8,142	8,726
Loss on disposal of property and equipment	14	61
Share-based compensation expense	796	780
Inventory write-offs for obsolescence	1,190	972
Other	1,276	(836)
Net changes in operating assets and liabilities:		
Accounts receivable, net	(1,182)	(3,876)
Inventories, net	(5,159)	(78)
Prepaid expenses and other current assets	290	(848)
Trade accounts payable	(2,256)	181
Other current liabilities	(3,104)	(686)
Net cash provided by operating activities	5,304	12,472
Investing activities		
Capital expenditures	(7,508)	(5,575)
Proceeds from sale of property and equipment	117	74
Net cash used in investing activities	(7,391)	(5,501)
Financing activities		
Principal payments on long-term debt and capital leases	(3,839)	(3,105)
Purchase of treasury stock	(8,733)	—
Distributions to noncontrolling interests	(58)	(58)
Net cash used in financing activities	(12,630)	(3,163)
Effect of exchange rate changes on cash and cash equivalents	(1,751)	(1,193)
(Decrease) increase in cash and cash equivalents	(16,468)	2,615
Cash and cash equivalents at beginning of period	79,642	72,809
Cash and cash equivalents at end of period	\$63,174	\$75,424

See accompanying notes.

VISHAY PRECISION GROUP, INC.

Consolidated Condensed Statement of Equity

(Unaudited - In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total VPG, Inc. Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	\$ 1,273	\$ 103	\$(32)	\$ 189,532	\$ 35,335	\$ (26,560)	\$ 199,651	\$ 234	\$ 199,885
Net earnings (loss)	—	—	—	—	393	—	393	(38)	355
Other comprehensive loss	—	—	—	—	—	(4,739)	(4,739)	—	(4,739)
Share-based compensation expense	—	—	—	796	—	—	796	—	796
Restricted stock issuances (32,297 shares)	3	—	—	(179)	—	—	(176)	—	(176)
Purchase of treasury stock (617,667 shares)	—	—	(8,733)	—	—	—	(8,733)	—	(8,733)
Conversion from Class B to common stock (18 shares)	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(58)	(58)
Balance at September 26, 2015	\$ 1,276	\$ 103	\$(8,765)	\$ 190,149	\$ 35,728	\$ (31,299)	\$ 187,192	\$ 138	\$ 187,330

See accompanying notes.

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Vishay Precision Group, Inc.

Notes to Unaudited Consolidated Condensed Financial Statements

Note 1 – Basis of Presentation

Background

Vishay Precision Group, Inc. (“VPG” or the “Company”) is an internationally recognized designer, manufacturer and marketer of sensors, and sensor-based measurement systems, as well as specialty resistors and strain gages based upon the Company's proprietary technology. The Company provides precision products and solutions, many of which are “designed-in” by its customers, specializing in the growing markets of stress, force, weight, pressure, and current measurements.

Interim Financial Statements

These unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements and therefore do not include all information and footnotes necessary for the presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in VPG’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on March 11, 2015. The results of operations for the fiscal quarter and nine fiscal months ended September 26, 2015 are not necessarily indicative of the results to be expected for the full year. VPG reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2015 and 2014 end on the following dates:

	2015	2014
Quarter 1	March 28,	March 29,
Quarter 2	June 27,	June 28,
Quarter 3	September 26,	September 27,
Quarter 4	December 31,	December 31,

Recent Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2015-16, “Business Combinations” (Topic 805), which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendment will be effective prospectively for reporting periods beginning on or after December 15, 2015, and early adoption is permitted. The adoption of this standard update is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” This standard update requires an entity to present debt issuance costs on the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. The update is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued, and the new provisions will be applied retrospectively to all prior periods presented. The adoption of this standard update is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued 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