BEL FUSE INC /NJ
Form 10-Q
November 08, 2013

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

FORM 10-Q

(MARK ONE)

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarterly Period Ended September 30, 2013
	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 No. 0-11676

BEL FUSE INC.
206 Van Vorst Street
Jersey City, NJ 07302
(201) 432-0463

(Address of principal executive offices and zip code)
(Registrant's telephone number, including area code)

NEW JERSEY	22-1463699
(State of incorporation)	(I.R.S. Employer Identification No.)

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 [ ]
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 during the preceding 12	Yes [X]	No [ ]

months (or for such shorter period that the registrant was required to submit and post such files).

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]	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 Act). Yes [ ] No [X]

Title of Each Class	Number of Shares of Common Stock Outstanding as of November 1, 2013
Class A Common Stock ($0.10 par value)	2,174,912
Class B Common Stock ($0.10 par value)	9,223,927

BEL FUSE INC.

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PART I. Financial Information

Item 1. Financial Statements (Unaudited)

Certain information and footnote disclosures required under accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted from the following condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. The following condensed consolidated financial statements should be read in conjunction with the year-end consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results for the entire fiscal year or for any other period.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share data)
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$46,920	$71,262
Accounts receivable - less allowance for doubtful accounts of $968		
and $743 at September 30, 2013 and December 31, 2012, respectively	68,666	42,865
Inventories	71,779	54,924
Restricted cash	12,994	12,993
Prepaid expenses and other current assets	6,884	4,482
Refundable income taxes	3,456	2,955
Deferred income taxes	2,838	1,437
Total Current Assets	213,537	190,918
Property, plant and equipment - net	40,338	35,002
Deferred income taxes	1,591	1,403
Intangible assets - net	22,700	22,191
Goodwill	27,222	13,559
Other assets	13,009	12,510
TOTAL ASSETS	$318,397	$275,583
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$35,244	$18,862
Accrued expenses	32,150	25,360
Accrued restructuring costs	-	122
Short-term borrowings under revolving credit line	12,000	-
Notes payable	532	205
Income taxes payable	2,585	1,040
Dividends payable	851	799
Total Current Liabilities	83,362	46,388
Long-term Liabilities:		
Liability for uncertain tax positions	1,218	2,161
Minimum pension obligation and unfunded pension liability	11,964	11,045
Deferred income taxes	-	394
Other long-term liabilities	512	233
Total Long-term Liabilities	13,694	13,833
Total Liabilities	97,056	60,221
Commitments and Contingencies		

Stockholders' Equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-
Class A common stock, par value $.10 per share, 10,000,000 shares authorized; 2,174,912 shares outstanding at each date (net of 1,072,769 treasury shares)	217	217
Class B common stock, par value $.10 per share, 30,000,000 shares authorized; 9,225,327 and 9,372,170 shares outstanding, respectively (net of 3,218,307 treasury shares)	923	937
Additional paid-in capital	18,421	20,452
Retained earnings	202,556	195,183
Accumulated other comprehensive loss	(776)	(1,427)
Total Stockholders' Equity	221,341	215,362
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$318,397	$275,583

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net Sales	$101,164	$76,059	$258,173	$214,842
Costs and expenses:				
Cost of sales	80,730	63,472	212,699	179,690
Selling, general and administrative	12,106	9,929	34,657	28,350
Restructuring charges	-	1,778	1,387	2,160
	92,836	75,179	248,743	210,200
Income from operations	8,328	880	9,430	4,642
Gain on sale of investment	98	-	98	-
Impairment of investment	-	(297)	-	(775)
Interest expense	(67)	-	(75)	-
Interest income and other, net	82	63	189	216
Earnings before provision (benefit) for income taxes	8,441	646	9,642	4,083
Provision (benefit) for income taxes	605	(1,845)	(47)	(721)
Net earnings	$7,836	$2,491	$9,689	$4,804
Earnings per share:				
Class A common share - basic and diluted	$0.65	$0.20	$0.80	$0.37
Class B common share - basic and diluted	$0.69	$0.21	$0.86	$0.41
Weighted-average shares outstanding:				
Class A common share - basic and diluted	2,174,912	2,174,912	2,174,912	2,174,912
Class B common share - basic and diluted	9,228,731	9,697,097	9,221,032	9,668,785
Dividends paid per share:				
Class A common share	$0.06	$0.06	$0.18	$0.18
Class B common share	$0.07	$0.07	$0.21	$0.21

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net earnings	$7,836	$2,491	$9,689	$4,804
Other comprehensive income:				
Currency translation adjustment, net of taxes of $212, $0, ($4) and $0, respectively	1,820	51	638	(283)
Reclassification adjustment for (gain on sale) write-down of marketable securities included in net earnings, net of tax of ($37), $113, ($37) and $295, respectively	(61)	185	(61)	481
Unrealized holding losses on marketable securities arising during the period, net of taxes of $28, ($59), $17 and ($118), respectively	46	(95)	28	(187)
Change in unfunded SERP liability, net of taxes of $24, $18, $20 and $53, respectively	53	40	46	120
Other comprehensive income	1,858	181	651	131
Comprehensive income	$9,694	$2,672	$10,340	$4,935

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(Unaudited)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Cash flows from operating activities:		
Net earnings	$9,689	$4,804
Adjustments to reconcile net earnings to net		
cash provided by operating activities:		
Depreciation and amortization	7,636	6,637
Stock-based compensation	1,376	1,294
Loss on disposal of property, plant and equipment	-	111
Realized gain on sale of investment	(98)	-
Impairment of investment	-	775
Other, net	356	(275)
Deferred income taxes	(223)	(1,546)
Changes in operating assets and liabilities (see page 6)	(12,675)	(4,002)
Net Cash Provided by Operating Activities	6,061	7,798
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,127)	(3,374)
Purchase of intangible asset	(1,336)	
Payment for acquisitions, net of cash acquired (see page 6)	(30,931)	(19,187)
Proceeds from sale of SERP investments	2,820	-
Purchase of company-owned life insurance	(2,820)	-
Purchase of marketable securities	-	(19)
Proceeds from disposal of property, plant and equipment	-	36
Net Cash Used in Investing Activities	(37,394)	(22,544)
Cash flows from financing activities:		
Dividends paid to common shareholders	(2,264)	(2,350)
Borrowings under revolving credit line	12,000	-
Increase (decrease) in notes payable	314	(48)
Purchase and retirement of Class B common stock	(3,356)	(1,705)
Net Cash Provided by (Used In) Financing Activities	6,694	(4,103)
Effect of exchange rate changes on cash	297	133
Net Decrease in Cash and Cash Equivalents	(24,342)	(18,716)
Cash and Cash Equivalents - beginning of period	71,262	88,241
Cash and Cash Equivalents - end of period	$46,920	$69,525

(Continued)
See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)
(Unaudited)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Changes in operating assets and liabilities consist of:		
Increase in accounts receivable	$(13,015)	$(3,562)
Increase in inventories	(7,180)	(1,718)
Increase in prepaid expenses and other current assets	(1,483)	(668)
Increase in other assets	(95)	(189)
Increase in accounts payable	6,920	288
Increase in accrued expenses	2,640	1,174
Increase in other liabilities	274	-
(Decrease) increase in accrued restructuring costs	(122)	1,159
Decrease in income taxes payable	(614)	(486)
	$(12,675)	$(4,002)
Supplementary information:		
Cash paid during the period for:		
Income taxes, net of refunds received	$1,152	$1,234
Interest	75	2
Details of acquisitions:		
Fair value of identifiable net assets acquired	$25,689	$13,282
Goodwill	13,630	8,903
Fair value of net assets acquired	$39,319	$22,185
Fair value of net assets acquired	$39,319	$22,185
Less: Cash acquired in acquisition	(8,388)	(2,991)
Deferred consideration	-	(7)
Cash paid for acquisitions, net of cash acquired	$30,931	$19,187

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated balance sheet as of September 30, 2013, and the condensed consolidated statements of operations, comprehensive income and cash flows for the periods presented herein have been prepared by Bel Fuse Inc. (the “Company” or “Bel”) and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The results for the three and nine months ended September 30, 2013 should not be viewed as indicative of the Company’s annual results or the Company’s results for any other period. The information for the condensed consolidated balance sheet as of December 31, 2012 was derived from audited financial statements. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Bel Fuse Annual Report on Form 10-K for the year ended December 31, 2012.

On March 9, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of GigaCom Interconnect AB (“GigaCom”). On July 31, 2012, the Company consummated its acquisition of 100% of the issued and outstanding capital stock of Fibreco Ltd. (“Fibreco”). On September 12, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Powerbox Italia S.r.L. and its subsidiary, Powerbox Design (collectively, “Powerbox”, now merged to form Bel Power Europe S.r.l.). The acquisitions of GigaCom, Fibreco and Powerbox may hereafter be referred to collectively as either the “2012 Acquisitions” or the “2012 Acquired Companies”. On March 29, 2013, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Transpower Technologies (HK) Limited (“Transpower”) and certain other tangible and intangible assets related to the Transpower magnetics business of TE Connectivity (“TRP”). On August 20, 2013, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Array Connector Corporation (“Array”). The acquisitions of TRP and Array may hereafter be referred to collectively as either the “2013 Acquisitions” or the “2013 Acquired Companies”. Accordingly, as of the respective acquisition dates, all of the assets acquired and liabilities assumed were recorded at their preliminary fair values and the Company’s condensed consolidated results of operations for the three and nine months ended September 30, 2013 and September 30, 2012 include the operating results of the acquired companies from their respective acquisition dates through the respective period end dates. The accompanying condensed consolidated financial statements as of December 31, 2012 and for the three and nine months ended September 30, 2012 have been restated to reflect immaterial measurement period adjustments related to the 2012 Acquisitions, as applicable.

Recent Accounting Pronouncements

The Company’s significant accounting policies are summarized in Note 1 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. There were no significant changes to these accounting policies during the nine months ended September 30, 2013. Recent accounting pronouncements adopted during the first nine months of 2013 are as follows:

Accounting Standards Update (“ASU”) No. 2012-02 – Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (“ASU No. 2012-02”)

ASU No. 2012-02 amends ASU No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, and permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The Company adopted ASU No. 2012-02 during the first quarter of 2013. The adoption of this update did not have a material effect on the Company's condensed consolidated financial statements.

Accounting Standards Update No. 2013-02 – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU No. 2013-02")

ASU No. 2013-02 requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present either on the face of the consolidated statements of operations, or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net earnings, but only if the amount reclassified is required to be reclassified to net earnings in its entirety in the same reporting period. For amounts not reclassified in their entirety to net earnings, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. The Company adopted ASU No. 2013-02 during the first quarter of 2013. The adoption of this update did not have a material effect on the Company's condensed consolidated financial statements.

Accounting Standards Update No. 2013-11 – Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU No. 2013-11")

ASU No. 2013-11 provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. This ASU applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. The guidance in ASU No. 2013-11 is effective for interim and annual periods beginning after December 15, 2013. The Company does not expect the adoption of this ASU to have a material impact on the Company's results of operations, financial condition or cash flows.

2. EARNINGS PER SHARE

The Company utilizes the two-class method to report its earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and participation rights in undistributed earnings. The Company's Certificate of Incorporation, as amended, states that Class B common shares are entitled to dividends at least 5% greater than dividends paid to Class A common shares, resulting in the two-class method of computing earnings per share. In computing earnings per share, the Company has allocated dividends declared to Class A and Class B based on amounts actually declared for each class of stock and 5% more of the undistributed earnings have been allocated to Class B shares than to the Class A shares on a per share basis. Basic earnings per common share are computed by dividing net earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share, for each class of common stock, are computed by dividing net earnings by the weighted-average number of common shares and potential common shares outstanding during the period. There were no potential common shares outstanding during the three or nine months ended September 30, 2013 or 2012 which would have had a dilutive effect on earnings per share.

The earnings and weighted-average shares outstanding used in the computation of basic and diluted earnings per share are as follows (dollars in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator:				
Net earnings	$ 7,836	$ 2,491	$ 9,689	$ 4,804
Less Dividends:				
Class A	131	130	391	392
Class B	650	681	1,925	2,036
Undistributed earnings	$ 7,055	$ 1,680	$ 7,373	$ 2,376
Undistributed earnings allocation - basic and diluted:				
Class A undistributed earnings	$ 1,293	$ 296	$ 1,353	$ 419
Class B undistributed earnings	5,762	1,384	6,020	1,957
Total undistributed earnings	$ 7,055	$ 1,680	$ 7,373	$ 2,376
Net earnings allocation - basic and diluted:				
Class A allocated earnings	$ 1,424	$ 426	$ 1,744	$ 811
Class B allocated earnings	6,412	2,065	7,945	3,993

Net earnings	$ 7,836	$ 2,491	$ 9,689	$ 4,804
Denominator:				
Weighted-average shares outstanding:				
Class A common share - basic and diluted	2,174,912	2,174,912	2,174,912	2,174,912
Class B common share - basic and diluted	9,228,731	9,697,097	9,221,032	9,668,785
Earnings per share:				
Class A common share - basic and diluted	$ 0.65	$ 0.20	$ 0.80	$ 0.37
Class B common share - basic and diluted	$ 0.69	$ 0.21	$ 0.86	$ 0.41

3. ACQUISITIONS

2013 Acquisitions:

On March 29, 2013, the Company acquired 100% of the outstanding shares of Transpower Technology (HK) Limited ("Transpower"), certain intellectual property and other tangible assets related to the Transpower magnetics business of TE Connectivity ("TE") from Tyco Electronics Corporation ("Tyco") for $22.4 million in cash and additional consideration including the assumption of $0.1 million in liabilities and the grant of a license to TE related to three of the Company's patents. During the second quarter of 2013, the Company paid an additional $6.8 million in consideration to TE related to a working capital adjustment and an additional net payment of $0.1 million was made in the third quarter of 2013. Transpower is the sole shareholder of Dongguan Transpower Electronic Products Co., Ltd. in the People's Republic of China. The operations acquired are now doing business as TRP Connector ("TRP"). The Company's purchase of the TRP magnetics business consisted of the integrated connector module ("ICM") family of products, including RJ45, 10/100 Gigabit, 10G, PoE/PoE+, MRJ21 and RJ.5, a line of modules for smart-grid applications, and discrete magnetics.

On August 20, 2013, the Company completed its acquisition of Array, a manufacturer of aerospace and mil-spec connector products based in Miami, Florida, for $10.0 million in cash. The acquisition of Array expands the Company's portfolio of connector products that can be offered to the combined customer base, and provides an opportunity to sell other products that Bel manufactures to Array's customers.

During the three and nine months ended September 30, 2013, the Company incurred $0.1 million and $0.6 million, respectively, of acquisition-related costs associated with the 2013 Acquisitions. These costs are included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations for the three and nine months ended September 30, 2013.

While the initial accounting related to the acquisitions of TRP and Array is not complete as of the filing date of this Form 10-Q, the following table depicts the Company's initial estimate of the respective acquisition date fair values of the consideration paid or payable and identifiable net assets acquired (in thousands):

	TRP				
	March 29, 2013		Measurement Period Adjustments	March 29, 2013 (As adjusted)	Array August 20, 2013	2013 Acquisitions Acquisition-Date Fair Values (As adjusted)
Cash	$ 8,388		$ -	$ 8,388	$ -	$ 8,388
Accounts receivable	11,580		(39)	11,541	994	12,535
Inventories	6,258	(a)	707	6,965	2,588	9,553
Other current assets	1,953		-	1,953	83	2,036
Property, plant and equipment	4,693	(b)	(165)	4,528	2,285	6,813
Intangible assets	-	(c)	-	-	-	-
Other assets	1,151		-	1,151	84	1,235
Total identifiable assets	34,023		503	34,526	6,034	40,560

Accounts payable		(8,565	)			-			(8,565	)		(677	)		(9,242	)
Accrued expenses		(4,003	)			132			(3,871	)		(206	)		(4,077	)
Other current liabilities		(25	)			(671	)		(696	)		(214	)		(910	)
Noncurrent liabilities		-				-			-			(643	)		(643	)
Total liabilities assumed		(12,593	)			(539	)		(13,132	)		(1,740	)		(14,229	)
Net identifiable assets acquired		21,430				(36	)		21,394			4,294			25,688	
Goodwill		8,278	(d)			(313	)		7,965			5,666			13,631	
Net assets acquired	$	29,708			$	(349	)	$	29,359		$	9,960		$	39,319	
Cash paid	$	22,400			$	6,959		$	29,359		$	9,960		$	39,319	
Assumption of severance payment		109				(109	)		-			-			-	
Fair value of grant of license		-	(e)			-			-			-			-	
Fair value of consideration transferred		22,509				6,850			29,359			9,960			39,319	
Deferred consideration		7,199	(f)			(7,199	)		-			-			-	
Total consideration paid/payable	$	29,708			$	(349	)	$	29,359		$	9,960		$	39,319	

(a) The determination of fair value related to the inventory acquired was still in progress as of the date of this filing. The amount above represents only the carrying value of the inventory on TRP's balance sheet as of the acquisition date. The measurement period adjustment noted above for inventory relates to additional inventory received from TE, as well as inventory on customer consignments that was not previously accounted for.
(b) The appraisals related to machinery and equipment acquired were incomplete as of this filing date and, as such, the amount noted above represents only the carrying value of those assets on TRP's balance sheet as of the acquisition date. The measurement period adjustment noted above for property, plant and equipment relates to equipment that could not be located upon a physical inventory of the assets acquired.
(c) The Company has identified certain intangible assets related to the TRP acquisition, including technology, license agreements and customer lists, which are being valued by a third-party appraiser. These appraisals were not complete as of the date of this filing.
(d) The amount of goodwill is provisional as of the filing date, as the fair value determination of inventory acquired, and appraisals related to property, plant and equipment and various intangible assets are still underway. As the final amount of goodwill has not yet been determined or allocated by segment, the Company is unable to determine at this time the portion of goodwill, if any, that will be deductible for tax purposes.
(e) As part of the consideration paid or payable, the Company granted Tyco a license related to three of the Company's patents. The valuation related to this license grant was not complete as of the date of this filing.
(f) Deferred consideration represents the Company's estimate of a working capital adjustment which is payable to the seller. Such adjustment must be agreed upon between the Company and the seller, and has not yet been finalized as of the date of this filing.

The results of operations of the 2013 Acquired Companies have been included in the Company's consolidated financial statements for the period subsequent to their respective acquisition dates. During the three and nine months ended September 30, 2013, the 2013 Acquired Companies contributed $26.4 million and $48.6 million of revenue, respectively, and $4.6 million and $8.7 million of net earnings, respectively, to the Company's consolidated financial results. The Company is still in the process of revising its corporate overhead allocations, and the results disclosed related to the 2013 Acquisitions do not yet include such allocations.

The unaudited pro forma information below presents the combined operating results of the Company and the 2013 Acquired Companies. The unaudited pro forma results are presented for illustrative purposes only. They do not reflect the realization of any potential cost savings, or any related integration costs. Certain cost savings may result from the 2013 Acquisitions; however, there can be no assurance that these cost savings will be achieved. These pro forma results do not purport to be indicative of the results that would have actually been obtained if the 2013 Acquisitions had occurred as of January 1, 2012, nor is the pro forma data intended to be a projection of results that may be obtained in the future. The following unaudited pro forma consolidated results of operations assume that the acquisitions of the 2013 Acquired Companies were completed as of January 1, 2012. The pro forma results noted below for the three and nine months ended September 30, 2012 also include the effects of the 2012 Acquisitions discussed below (dollars in thousands except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue	$ 102,056	$ 97,982	$ 283,137	$ 283,986
Net earnings	7,882	5,295	12,606	12,578
Earnings per Class A common share - basic and diluted	0.66	0.42	1.05	1.00
Earnings per Class B common share - basic and diluted	0.70	0.45	1.12	1.08

2012 Acquisitions:

On March 9, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of GigaCom with a cash payment of $2.7 million (£1.7 million). GigaCom, located in Gothenburg, Sweden, is a supplier of expanded beam fiber optic technology. GigaCom has become part of Bel's Cinch Connector business. Management believes that GigaCom's offering of expanded beam fiber optic ("EBOSA®") products will enhance the Company's position within the growing aerospace and military markets.

On July 31, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Fibreco with a cash payment, net of $2.7 million of cash acquired, of $13.7 million (£8.7 million). Fibreco, located in the United Kingdom, is a supplier of a broad range of expanded beam fiber optic components for use in military communications, outside broadcast and offshore exploration applications. Fibreco has become part of Bel's interconnect product group under the Cinch Connector business. Management believes that the addition of Fibreco's fiber optic-based product line to Cinch's broad range of copper-based products will increase Cinch's presence in emerging fiber applications within the military, aerospace and industrial markets. In addition, management believes the acquisition provides access to a range of customers for the recently acquired GigaCom EBOSA® product.

On September 12, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Powerbox, now known as Bel Power Europe, with a cash payment, net of $0.2 million of cash acquired, of $3.0 million. The Company also granted 30,000 restricted shares of the Company's Class B common stock in connection with this acquisition. Compensation expense equal to the grant date fair value of these restricted shares of $0.6 million is being recorded ratably through September 2014. Bel Power Europe, located near Milan, Italy, develops high-power AC-DC power conversion solutions targeted at the broadcasting market. The acquisition of Bel Power Europe will allow Bel to expand its portfolio of power product offerings to include AC-DC products and will also establish a European design center located close to several of Bel's existing customers.

Acquisition-related costs relating to the 2012 Acquisitions amounted to less than $0.1 million and $0.6 million during the three-month periods ended September 30, 2013 and 2012, respectively, and $0.1 million and $0.6 million during the nine-month periods ended September 30, 2013 and 2012, respectively. These costs are included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations.

During the year ended December 31, 2012, the Company completed the purchase accounting related to the GigaCom and Fibreco acquisitions. During the third quarter of 2013, the Company completed the purchase accounting related to its acquisition of Bel Power Europe. The following table reflects the finalized acquisition date fair values of the consideration transferred and identifiable net assets acquired related to the 2012 acquisitions (in thousands):

	Acquisition-Date Fair Values	Measurement Period Adjustments	Acquisition-Date Fair Values (As finalized)
Cash and cash equivalents	$ 2,991	$ -	$ 2,991
Accounts receivable	3,750	3	3,753
Inventories	1,061	(16)	1,045
Other current assets	90	-	90
Property, plant and equipment	502	263	765
Intangible assets	30	11,626	11,656
Total identifiable assets	8,424	11,876	20,300
Accounts payable	(1,702)	-	(1,702)
Accrued expenses	(1,736)	-	(1,736)
Notes payable	(216)	-	(216)
Income taxes payable	(264)	(60)	(324)
Deferred income tax liability, current	(70)	-	(70)
Deferred income tax liability, noncurrent	-	(2,700)	(2,700)
Other long-term liabilities	(216)	-	(216)
Total liabilities assumed	(4,204)	(2,760)	(6,964)
Net identifiable assets acquired	4,220	9,116	13,336
Goodwill	17,965	(8,900)	9,065
Net assets acquired	$ 22,185	$ 216	$ 22,401
Cash paid	$ 22,138	263	$ 22,401
Deferred consideration	47	(47)	-
Fair value of consideration transferred	$ 22,185	$ 216	$ 22,401

The fair value of identifiable intangible assets noted above (as adjusted) consists of the following:

	Weighted-Average Life	Acquisition-Date Fair Value
Trademarks	Indefinite	$ 1,264
Technology	20 years	6,542
Customer relationships	16 years	3,292
Non-compete agreements	2 years	558
Total identifiable intangible assets acquired		$ 11,656

The results of operations of the 2012 Acquired Companies have been included in the Company’s consolidated financial statements for the periods subsequent to their respective acquisition dates. During the three-month periods ended September 30, 2013 and 2012, Fibreco and Bel Power Europe contributed combined revenues of $1.8 million and $0.9 million, respectively, and combined net earnings of $0.1 million and less than $0.1 million, respectively, to the Company’s consolidated financial results. During the nine-month periods ended September 30, 2013 and 2012, Fibreco and Bel Power Europe contributed combined revenues of $7.7 million and $0.9 million, respectively, and combined net earnings of $0.7 million and less than $0.1 million, respectively, to the Company’s consolidated financial results. The acquisition of GigaCom has contributed to Bel’s research and development efforts and its technology has been incorporated into products now being sold by Fibreco. GigaCom incurred expenses, primarily related to research and development, of $0.2 million and $0.1 million during the three-month periods ended September 30, 2013 and 2012, respectively, and $0.7 million and $0.3 million during the nine-month periods ended September 30, 2013 and 2012, respectively.

4. FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based upon the best use of the asset or liability at the measurement date. Entities are required to use a fair value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Observable inputs such as quoted market prices in active markets

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3 – Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions

As of September 30, 2013 and December 31, 2012, the Company held certain financial assets that are measured at fair value on a recurring basis. These consisted of securities that are among the Company's investments in a rabbi trust which are intended to fund the Company's Supplemental Executive Retirement Plan ("SERP") obligations, and other marketable securities described below. The securities that are held in the rabbi trust are categorized as available-for-sale securities and are included as other assets in the accompanying condensed consolidated balance sheets at September 30, 2013 and December 31, 2012. The gross unrealized gains associated with the investments held in the rabbi trust were $0.4 million at each of September 30, 2013 and December 31, 2012. Such unrealized gains are included, net of tax, in accumulated other comprehensive loss.

As of September 30, 2013 and December 31, 2012, the Company had marketable securities with a combined fair value of less than $0.1 million at each date, and gross unrealized losses of less than $0.1 million at each date. Such unrealized losses are included, net of tax, in accumulated other comprehensive loss. The fair value of the equity securities is determined based on quoted market prices in public markets and is categorized as Level 1. The Company does not have any financial assets measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 1, Level 2 or Level 3 during the nine months ended September 30, 2013 and 2012. There were no changes to the Company's valuation techniques used to measure asset fair values on a recurring or nonrecurring basis during the nine months ended September 30, 2013.

The following table sets forth by level, within the fair value hierarchy, the Company's financial assets accounted for at fair value on a recurring basis as of September 30, 2013 and December 31, 2012 (dollars in thousands).

		Assets at Fair Value Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2013				
Available-for-sale securities:				
Investments held in rabbi trust	$ 3,238	$ 3,238	$ -	$ -
Marketable securities	3	3	-	-
Total	$ 3,241	$ 3,241	$ -	$ -
As of December 31, 2012				
Available-for-sale securities:				
Investments held in rabbi trust	$ 6,014	$ 6,014	$ -	$ -
Marketable securities	2	2	-	-
Total	$ 6,016	$ 6,016	$ -	$ -

The Company has other financial instruments, such as cash equivalents, accounts receivable, accounts payable, notes payable and accrued expenses, which are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. The Company did not have any other financial liabilities within the scope of the fair value disclosure requirements as of September 30, 2013 or December 31, 2012.

Nonfinancial assets and liabilities, such as goodwill, indefinite-lived intangible assets and long-lived assets, are accounted for at fair value on a nonrecurring basis. These items are tested for impairment on the occurrence of a triggering event or, in the case of goodwill and indefinite-lived intangible assets, on at least an annual basis. There were no triggering events that occurred during the nine months ended September 30, 2013 or 2012 that would warrant interim impairment testing.

5. INVENTORIES

The components of inventories are as follows (dollars in thousands):

	September 30, 2013	December 31, 2012
Raw materials	$ 30,919	$ 26,157
Work in progress	12,081	8,200
Finished goods	28,779	20,567

$	71,779	$	54,924

6. INTANGIBLE ASSET

During the third quarter of 2013, the Company paid $1.3 million and received $0.3 million associated with licensing agreements entered into with Radiall SA. The agreements cover the parties' respective technologies for EBOSA® fibre optic termini and the EPX® connector range. The $1.3 million paid by the Company is reflected as an intangible asset and the $0.3 million received by the Company is included in other long-term liabilities on the accompanying condensed consolidated balance sheet at September 30, 2013. Each will be amortized over the life of the respective agreement of 20 years.

7. BUSINESS SEGMENT INFORMATION

The Company operates in one industry with three reportable operating segments, which are geographic in nature. The segments consist of North America, Asia and Europe. The primary criteria by which financial performance is evaluated and resources are allocated are sales and income from operations. The following is a summary of key financial data (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,
	2013	2012	