

TELEDYNE TECHNOLOGIES INC
Form 10-Q
July 31, 2014
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 29, 2014

OR

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

For the transition period from _____ to _____
Commission file number 1-15295

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

Delaware
(State or other jurisdiction of
incorporation or organization)

25-1843385
(I.R.S. Employer
Identification Number)

1049 Camino Dos Rios
Thousand Oaks, California
(Address of principal executive offices)
(805) 373-4545

91360-2362
(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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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

Class	Outstanding at July 25, 2014
Common Stock, \$.01 par value per share	37,529,806 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 29, 2014 AND JUNE 30, 2013

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

	Second Quarter		Six Months	
	2014	2013	2014	2013
Net sales	\$597.1	\$601.0	\$1,170.6	\$1,170.4
Costs and expenses				
Cost of sales	368.4	383.6	720.1	749.0
Selling, general and administrative expenses	154.4	152.5	310.2	297.6
Total costs and expenses	522.8	536.1	1,030.3	1,046.6
Operating income	74.3	64.9	140.3	123.8
Other income/(expense), net	8.2	—	8.8	(0.5)
Interest and debt expense, net	(4.6)	(5.1)	(9.3)	(10.5)
Income before income taxes	77.9	59.8	139.8	112.8
Provision for income taxes	22.1	16.5	38.0	29.7
Net income	55.8	43.3	101.8	83.1
Noncontrolling interest	0.3	(0.4)	0.1	0.2
Net income attributable to Teledyne	\$56.1	\$42.9	\$101.9	\$83.3
Basic earnings per common share	\$1.50	\$1.15	\$2.72	\$2.24
Weighted average common shares outstanding	37.4	37.3	37.5	37.2
Diluted earnings per common share	\$1.47	\$1.13	\$2.67	\$2.20
Weighted average diluted common shares outstanding	38.1	38.0	38.2	37.9

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

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE SIX MONTHS ENDED JUNE 29, 2014 AND JUNE 30, 2013

(Unaudited - Amounts in millions)

	Second Quarter		Six Months		
	2014	2013	2014	2013	
Net income	\$55.8	\$43.3	\$101.8	\$83.1	
Other comprehensive income (loss):					
Foreign exchange translation adjustment	16.5	(10.6) 7.1	(29.4)
Hedge activity and interest rate swap, net of tax	2.5	(0.9) 1.5	(1.8)
Pension and postretirement benefit adjustments, net of tax	2.0	10.9	4.9	11.1	
Other comprehensive income (loss)	21.0	(0.6) 13.5	(20.1)
Comprehensive income	76.8	42.7	115.3	63.0	
Noncontrolling interest	0.3	(0.4) 0.1	0.2	
Comprehensive income attributable to Teledyne	\$77.1	\$42.3	\$115.4	\$63.2	

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Current period unaudited - Amounts in millions, except share amounts)

	June 29, 2014	December 29, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 103.4	\$ 66.0
Accounts receivable, net	376.3	378.0
Inventories, net	318.1	294.3
Prepaid expenses and other current assets	60.7	60.8
Total current assets	858.5	799.1
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of \$396.2 at June 29, 2014 and \$367.0 at December 29, 2013	346.5	357.7
Goodwill, net	1,042.8	1,037.8
Acquired intangibles, net	258.4	270.9
Prepaid pension assets	232.7	222.0
Other assets, net	67.3	63.6
Total Assets	\$2,806.2	\$2,751.1
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 149.7	\$ 147.5
Accrued liabilities	258.7	267.1
Current portion of long-term debt and capital leases	7.5	3.5
Total current liabilities	415.9	418.1
Long-term debt and capital leases	501.7	549.0
Other long-term liabilities	263.7	265.3
Total Liabilities	1,181.3	1,232.4
Stockholders' Equity		
Preferred stock, \$0.01 par value; outstanding shares - none	—	—
Common stock, \$0.01 par value; authorized 125 million shares; issued shares: 37,697,865 at June 29, 2014 and 37,571,182 at December 29, 2013.	0.4	0.4
Outstanding shares; 37,557,095 at June 29, 2014 and 37,571,182 at December 29, 2013		
Additional paid-in capital	333.0	328.8
Retained earnings	1,409.9	1,308.0
Treasury stock	(13.5) —
Accumulated other comprehensive loss	(152.0) (165.5
Total Teledyne Stockholders' Equity	1,577.8	1,471.7
Noncontrolling interest	47.1	47.0
Total Stockholders' Equity	1,624.9	1,518.7
Total Liabilities and Stockholders' Equity	\$2,806.2	\$2,751.1
The accompanying notes are an integral part of these financial statements.		

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED JUNE 29, 2014 AND JUNE 30, 2013
 (Unaudited - Amounts in millions)

	Six Months 2014	2013	
Operating Activities			
Net income	\$101.8	\$83.1	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	46.6	44.0	
Deferred income taxes	3.4	21.5	
Stock option expense	6.2	4.6	
Excess income tax benefits from stock options exercised	(4.0)	(2.7))
Changes in operating assets and liabilities, excluding the effect of businesses acquired:			
Accounts receivable	3.5	15.0	
Inventories	(22.5)	(8.0))
Prepaid expenses and other assets	0.5	5.6	
Accounts payable	1.6	1.4	
Accrued liabilities	(10.2)	(10.2))
Income taxes payable, net	4.6	(11.7))
Long-term assets	(4.1)	(3.8))
Other long-term liabilities	(0.3)	2.2)
Accrued pension obligation	(8.7)	(82.5))
Accrued postretirement benefits	0.1	(0.5))
Other operating, net	1.9	(1.9))
Net cash provided by operating activities	120.4	56.1	
Investing Activities			
Purchases of property, plant and equipment	(20.6)	(36.3))
Purchase of businesses and other investments	(2.9)	(73.7))
Proceeds from the disposal of fixed assets	0.3	0.1	
Net cash used by investing activities	(23.2)	(109.9))
Financing Activities			
Net proceeds from (repayments of) debt	(42.9)	69.9)
Proceeds from exercise of stock options	13.2	7.2	
Purchase of treasury stock	(35.6)	—)
Excess income tax benefits from stock options exercised	4.0	2.7	
Issuance of cash flow hedges	1.5	(1.7))
Net cash provided (used) by financing activities	(59.8)	78.1)
Increase in cash and cash equivalents	37.4	24.3	
Cash and cash equivalents—beginning of period	66.0	45.8	
Cash and cash equivalents—end of period	\$103.4	\$70.1	

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

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 29, 2014

Note 1. General

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Teledyne Technologies Incorporated (“Teledyne” or the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States as they apply to interim reporting. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Teledyne’s Annual Report on Form 10-K for the fiscal year ended December 29, 2013 (“2013 Form 10-K”).

In the opinion of Teledyne’s management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, Teledyne’s consolidated financial position as of June 29, 2014 and the consolidated results of operations and consolidated comprehensive income for the second quarter and six months then ended and consolidated cash flows for six months then ended. The results of operations and cash flows for the periods ended June 29, 2014 are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year.

Recent Accounting Pronouncements

Effective December 30, 2013, the Company adopted accounting guidance related to the presentation of an unrecognized tax benefit when a net operating loss carryforward (“NOL”), a similar tax loss or a tax credit carryforward exists. Under the guidance, an entity will be required to present an unrecognized tax benefit as a reduction of a deferred tax asset for a NOL or tax credit carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. The Company's adoption of the guidance, did not have a material impact on its consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. This new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption, with early application not permitted. The Company is currently in the process of determining its implementation approach and assessing the impact on the consolidated financial statements and footnote disclosures.

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Note 2. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income (“AOCI”) by component, net of tax, for the second quarter and six months ended June 29, 2014 and June 30, 2013 are as follows (in millions):

	Foreign Currency Translation	Cash Flow Hedges	Pension and Postretirement Benefits	Total
Balance as of March 30, 2014	\$(41.8) \$(4.3) \$(126.9) \$(173.0
Other comprehensive income before reclassifications	16.5	1.8	—	18.3
Amounts reclassified from AOCI	—			