

COGNEX CORP
Form 10-Q
August 03, 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 July 5, 2015 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 001-34218

COGNEX CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
incorporation or organization)

04-2713778

(I.R.S. Employer
Identification No.)

One Vision Drive

Natick, Massachusetts 01760-2059

(508) 650-3000

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

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, 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

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 July 5, 2015, there were 87,102,221 shares of Common Stock, \$.002 par value per share, of the registrant outstanding.

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COGNEX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three-months Ended		Six-months Ended	
	July 5, 2015 (unaudited)	June 29, 2014	July 5, 2015 (unaudited)	June 29, 2014
Revenue	\$143,829	\$92,276	\$245,202	\$173,592
Cost of revenue	30,508	18,190	52,852	34,743
Gross margin	113,321	74,086	192,350	138,849
Research, development, and engineering expenses	18,302	12,524	35,288	24,093
Selling, general, and administrative expenses	43,241	35,538	83,174	67,330
Operating income	51,778	26,024	73,888	47,426
Foreign currency gain (loss)	(39)	(74)	620	(184)
Investment income	957	801	1,807	1,588
Other expense	(55)	(75)	(365)	(348)
Income from continuing operations before income tax expense	52,641	26,676	75,950	48,482
Income tax expense on continuing operations	9,125	4,001	12,962	7,991
Income from continuing operations	43,516	22,675	62,988	40,491
Income from discontinued operations, net of tax (Note 16)	198	3,273	1,228	3,963
Net income	\$43,714	\$25,948	\$64,216	\$44,454
Basic earnings per weighted-average common and common-equivalent share:				
Income from continuing operations	\$0.50	\$0.26	\$0.72	\$0.47
Income from discontinued operations	\$—	\$0.04	\$0.02	\$0.04
Net income	\$0.50	\$0.30	\$0.74	\$0.51
Diluted earnings per weighted-average common and common-equivalent share:				
Income from continuing operations	\$0.49	\$0.25	\$0.71	\$0.45
Income from discontinued operations	\$—	\$0.04	\$0.01	\$0.05
Net income	\$0.49	\$0.29	\$0.72	\$0.50
Weighted-average common and common-equivalent shares outstanding:				
Basic	87,199	86,782	86,977	86,830
Diluted	89,185	88,965	88,951	89,112
Cash dividends per common share	\$0.07	\$—	\$0.07	\$—

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

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COGNEX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three-months Ended		Six-months Ended	
	July 5, 2015 (unaudited)	June 29, 2014	July 5, 2015 (unaudited)	June 29, 2014
Net income	\$43,714	\$25,948	\$64,216	\$44,454
Other comprehensive income (loss), net of tax:				
Cash flow hedges:				
Change in net unrealized gain (loss), net of tax of \$48 and \$10 in the three-month periods and net of tax of \$(25) and \$(6) in the six-month periods, respectively	237	(36)	(283)	(235)
Reclassification of net realized loss into current operations	69	24	179	57
Net change related to cash flow hedges	306	(12)	(104)	(178)
Available-for-sale investments:				
Change in net unrealized gain (loss), net of tax of (\$128) and \$69 in the three-month periods and net of tax of \$6 and \$182 in the six-month periods, respectively	(333)	542	566	1,561
Reclassification of net realized gain into current operations	(192)	(105)	(221)	(606)
Net change related to available-for-sale investments	(525)	437	345	955
Foreign currency translation adjustments:				
Change in currency translation adjustments, net of tax of \$107 and \$53 in the three-month periods and net of tax of (\$529) and \$60 in the six-month periods, respectively	2,450	(544)	(8,240)	(99)
Net change related to foreign currency translation adjustments	2,450	(544)	(8,240)	(99)
Other comprehensive income (loss), net of tax	2,231	(119)	(7,999)	678
Total comprehensive income	\$45,945	\$25,829	\$56,217	\$45,132

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

COGNEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

	July 5, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$61,691	\$55,694
Short-term investments	223,464	90,456
Accounts receivable, less reserves of \$752 and \$820 in 2015 and 2014, respectively	44,728	40,053
Unbilled revenue	51,648	—
Inventories	39,400	29,223
Deferred income taxes	9,248	8,985
Prepaid expenses and other current assets	20,997	17,686
Held for sale assets (Note 16)	38,927	29,814
Total current assets	490,103	271,911
Long-term investments	233,752	400,845
Property, plant, and equipment, net	49,905	45,963
Deferred income taxes	16,649	14,452
Intangible assets, net	7,653	9,670
Goodwill	77,388	77,388
Other assets	2,756	1,505
	\$878,206	\$821,734
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$15,202	\$17,223
Accrued expenses	31,276	35,614
Accrued income taxes	397	1,048
Deferred revenue	18,994	14,598
Held for sale liabilities (Note 16)	14,598	12,191
Total current liabilities	80,467	80,674
Reserve for income taxes	4,603	4,623
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, \$.002 par value –		
Authorized: 140,000 shares, issued and outstanding: 87,102 and 86,542 shares in 2015 and 2014, respectively	174	173
Additional paid-in capital	294,155	251,717
Retained earnings	546,205	523,946
Accumulated other comprehensive loss, net of tax	(47,398) (39,399
Total shareholders' equity	793,136	736,437
	\$878,206	\$821,734

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

COGNEX CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	Six-months Ended	
	July 5, 2015	June 29, 2014
	(unaudited)	
Cash flows from operating activities:		
Net income	\$64,216	\$44,454
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	11,577	7,960
Depreciation of property, plant, and equipment	4,816	4,051