

CABOT MICROELECTRONICS CORP
Form 10-Q
August 06, 2018
UNITED STATES
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 30, 2018
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 000-30205

CABOT MICROELECTRONICS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 36-4324765
(State of Incorporation) (I.R.S. Employer Identification No.)

870 NORTH COMMONS DRIVE 60504
AURORA, ILLINOIS (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (630) 375-6631

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.

YESXNO

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).

YESXNO

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

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Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	Emerging growth company
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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 Exchange Act).

YES NOX

As of July 31, 2018, the Company had 25,551,252 shares of Common Stock, par value \$0.001 per share, outstanding.

CABOT MICROELECTRONICS CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1.

CABOT MICROELECTRONICS CORPORATION
 CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited and in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue	\$150,437	\$127,957	\$433,394	\$370,395
Cost of goods sold	69,737	65,414	203,635	186,316
Gross profit	80,700	62,543	229,759	184,079
Operating expenses:				
Research, development and technical	13,059	14,333	38,578	41,819
Selling and marketing	6,207	7,346	18,833	22,166
General and administrative	19,504	13,953	56,218	41,148
Total operating expenses	38,770	35,632	113,629	105,133
Operating income	41,930	26,911	116,130	78,946
Interest expense	513	1,117	2,803	3,402
Other income (expense), net	1,627	(115)	3,361	1,115
Income before income taxes	43,044	25,679	116,688	76,659
Provision for income taxes	7,873	5,740	54,863	16,209
Net income	\$35,171	\$19,939	\$61,825	\$60,450
Basic earnings per share (in dollars per share)	\$1.37	\$0.79	\$2.42	\$2.42
Weighted average basic shares outstanding (in shares)	25,612	25,228	25,479	24,941
Diluted earnings per share (in dollars per share)	\$1.34	\$0.77	\$2.35	\$2.37
Weighted average diluted shares outstanding (in shares)	26,319	25,721	26,222	25,450
Dividends per share (in dollars per share)	\$0.40	\$0.20	\$1.00	\$0.58

The accompanying notes are an integral part of these Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited and in thousands)

	Three Months		Nine Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Net income	\$35,171	\$19,939	\$61,825	\$60,450
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(8,829)	(2,635)	2,276	(6,326)
Net unrealized gain (loss) on available-for-sale securities	(48)	-	(48)	-
Net unrealized gain (loss) on cash flow hedges	(210)	1	(63)	819
Other comprehensive income (loss), net of tax	(9,087)	(2,634)	2,165	(5,507)
Comprehensive income	\$26,084	\$17,305	\$63,990	\$54,943

The accompanying notes are an integral part of these Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

(Unaudited and in thousands, except share amounts)

	June 30, 2018	September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 186,124	\$ 397,890
Available-for-sale securities	124,455	-
Accounts receivable, less allowance for doubtful accounts of \$1,817 at June 30, 2018, and \$1,747 at September 30, 2017	74,017	64,793
Inventories	77,302	71,873
Prepaid expenses and other current assets	29,008	16,426
Total current assets	490,906	550,982
Property, plant and equipment, net	108,569	106,361
Goodwill	101,059	101,932
Other intangible assets, net	36,982	42,710
Deferred income taxes	13,067	21,598
Other long-term assets	8,899	10,517
Total assets	\$ 759,482	\$ 834,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 18,290	\$ 17,624
Current portion of long-term debt	-	10,938
Accrued expenses, income taxes payable and other current liabilities	72,009	62,651
Total current liabilities	90,299	91,213
Long-term debt, net of current portion, less prepaid debt issuance cost of \$441 at September 30, 2017	-	132,997
Deferred income taxes	62	63
Other long-term liabilities	34,940	14,790
Total liabilities	125,301	239,063
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common Stock: Authorized: 200,000,000 shares, \$0.001 par value; Issued: 35,806,136 shares at June 30, 2018, and 35,230,742 shares at September 30, 2017	36	35
Capital in excess of par value of common stock	615,543	580,938
Retained earnings	433,818	397,881
Accumulated other comprehensive income	6,114	3,949
Treasury stock at cost, 10,262,236 shares at June 30, 2018, and 9,948,190 shares at September 30, 2017	(421,330)	(387,766)
Total stockholders' equity	634,181	595,037
Total liabilities and stockholders' equity	\$ 759,482	\$ 834,100

The accompanying notes are an integral part of these Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and amounts in thousands)

	Nine Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$61,825	\$60,450
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,527	19,530
Provision for doubtful accounts	80	25
Share-based compensation expense	14,269	9,716
Deemed repatriation transition tax	24,641	-
Deferred income tax expense	9,280	2,081
Non-cash foreign exchange (gain)	(1,340)	470
Loss (gain) on disposal of property, plant and equipment	45	(621)
Impairment of assets	-	860
Realized loss on the sale of available-for-sale securities	117	-
(Gain) on sale of assets	(956)	-
Other	4,030	(323)
Changes in operating assets and liabilities:		
Accounts receivable	(9,612)	(5,638)
Inventories	(5,526)	(247)
Prepaid expenses and other assets	(12,482)	(3,405)
Accounts payable	473	(1,186)
Accrued expenses, income taxes payable and other liabilities	(375)	8,304
Net cash provided by operating activities	103,996	90,016
Cash flows from investing activities:		
Additions to property, plant and equipment	(15,245)	(15,901)
Proceeds from the sale of property, plant and equipment	-	637
Proceeds from the sale of assets	3,027	-
Purchases of available-for-sale securities	(178,412)	-
Proceeds from the sale and maturities of available-for-sale securities	55,194	175
Settlement of net investment hedge	(9,882)	-
Net cash used in investing activities	(145,318)	(15,089)
Cash flows from financing activities:		
Repayment of long-term debt	(144,375)	(7,656)
Repurchases of common stock	(33,072)	(5,882)
Proceeds from issuance of stock	20,297	27,561
Dividends paid	(20,507)	(13,977)
Tax benefits associated with share-based compensation expense	-	5,826
Net cash provided by (used in) financing activities		