

IPG PHOTONICS CORP

Form 10-Q

November 05, 2018

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**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 September 30, 2018
OR**

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

Commission File Number 001-33155

IPG PHOTONICS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 04-3444218

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

**50 Old Webster
Road,
Oxford,
Massachusetts 01540**

(Zip code)

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(Address of principal executive offices)

(508) 373-1100

(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 (§ 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Emerging Growth Company

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 NO

As of November 1, 2018, there were 54,364,246 and 53,400,171 shares of the registrant's common stock issued and outstanding.

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EX-31.2
CERTIFICATION
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EX-32
CERTIFICATION
OF CEO AND CFO
PURSUANT TO
SECTION 1350

EX-101.INS XBRL
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DOCUMENT

EX-101.SCH XBRL
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SCHEMA

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CALCULATION
LINKBASE

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EXTENSION
DEFINITION
LINKBASE

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September 30, 2018	December 31, 2017
(In thousands, except share and per share data)	
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	647,606 \$ 909,900
Short-term investments	474,422 206,257
Accounts receivable, net	251,613 237,278
Inventory	371,409 307,712
Prepaid income taxes	60,022 44,944
Prepaid expenses and other	50,013 47,919
Total current assets	1,882,285 1,754,010
DEFERRED INCOME TAXES, NET	19,995 26,976
GOODWILL	60,000 55,831
INTANGIBLE ASSETS, NET	11,223 51,223
PROPERTY, PLANT AND EQUIPMENT, NET	119,163 460,206
	28,043 19,009

OTHER
ASSETS

TOTAL ASSETS	2,562,099	\$	2,367,255
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LIABILITIES AND EQUITY

CURRENT
LIABILITIES:

Current portion of\$	3,654	\$	3,604
long-term debt			

Accounts payable	29,494	35,109	
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Accrued expenses and other liabilities	17,060	144,417	
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Income taxes payable	43,777	15,773	
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Total current liabilities	171,985	198,903	
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DEFERRED
INCOME
TAXES

AND	100,75	100,652	
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OTHER
LONG-TERM
LIABILITIES

LONG-TERM
DEBT,

NET OF	42,631	45,378	
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CURRENT
PORTION

Total liabilities	355,291	344,933	
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COMMITMENTS
AND
CONTINGENCIES
(NOTE
11)

IPG
PHOTONICS

CORPORATION
EQUITY:

Common
stock,
\$0.0001
par
value,
175,000,000
shares
authorized;
54,362,579
and
53,398,504
shares
issued
and
outstanding,
respectively,
at

5

September
30,
2018;
54,007,708
and
53,629,439
shares
issued
and
outstanding,
respectively,
at
December
31,
2017

Treasury
stock,
at
cost
(964,075)
and
378,269
shares
held)

(48,933)

Additional
paid-in
capital

704,727

Retained
earnings
1,772,941
(144,409)

1,443,867

(77,344)

Accumulated other comprehensive loss			
Total IPG Photonics Corporation equity	2,022,322		
NONCONTROLLING INTERESTS	—		
Total equity	2,022,322		
TOTAL LIABILITIES AND EQUITY	\$ 2,562,099	\$	2,367,255

See notes to consolidated financial statements.

Table of Contents**IPG PHOTONICS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended September 30,			Nine Months Ended
	2018	2017	2018	September 30, 2017
	(in thousands, except per share data)			
NET SALES	\$ 356,346	\$ 392,615	\$ 1,129,823	\$ 1,047,834
COST OF SALES	161,162	168,060	496,303	459,716
GROSS PROFIT	195,184	224,555	633,520	588,118
OPERATING EXPENSES:				
Sales and marketing	13,479	13,384	41,531	36,347
Research and development	30,909	25,541	91,268	74,281
General and administrative	25,245	21,491	74,857	59,092
Loss (gain) on foreign exchange	1,688	3,917	(1,489)	15,553
Total operating expenses	71,321	64,333	206,167	185,273
OPERATING INCOME	123,863	160,222	427,353	402,845
OTHER INCOME (EXPENSE), Net:				
Interest income, net	3,884	(125)	4,925	651
Other income (expense), net	423	459	1,252	(47)
Total other income	4,307	334	6,177	604
INCOME BEFORE PROVISION FOR INCOME TAXES	128,170	160,556	433,530	403,449
PROVISION FOR INCOME TAXES	(27,418)	(44,959)	(104,827)	(108,817)
NET INCOME	100,752	115,597	328,703	294,632
LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	235	—	235	(26)
NET INCOME ATTRIBUTABLE TO IPG PHOTONICS CORPORATION	\$ 100,517	\$ 115,597	\$ 328,468	\$ 294,658
NET				