

NATIONAL INSTRUMENTS CORP /DE/
Form 10-Q
May 02, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

T Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: March 31, 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 number: 0-25426

NATIONAL INSTRUMENTS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

74-1871327

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

11500 North MoPac Expressway

Austin, Texas

78759

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(address of principal executive offices)

(zip code)

Registrant's telephone number, including area code: (512) 338-9119

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

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 April 29, 2013
Common Stock - \$0.01 par value	123,550,677

NATIONAL INSTRUMENTS CORPORATION

INDEX

<u>PART I. FINANCIAL INFORMATION</u>		Page No.
Item 1	Financial Statements:	
	<u>Consolidated Balance Sheets</u> March 31, 2013 (unaudited) and December 31, 2012	3
	<u>Consolidated Statements of Income</u> (unaudited) for the three months ended March 31, 2013 and 2012	4
	<u>Statements of Consolidated Comprehensive Income</u> (unaudited) for the three months ended March 31, 2013 and 2012	5
	<u>Consolidated Statements of Cash Flows</u> (unaudited) for the three months ended March 31, 2013 and 2012	6
	Notes to Consolidated Financial Statements	7
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	27
Item 4	<u>Controls and Procedures</u>	31
<u>PART II. OTHER INFORMATION</u>		
Item 1	<u>Legal Proceedings</u>	32
Item 1A	<u>Risk Factors</u>	32
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 4	<u>Mine Safety Disclosures</u>	40

Item 5	<u>Other Information</u>	40
Item 6	<u>Exhibits</u>	41
	<u>Signatures and Certifications</u>	42

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

NATIONAL INSTRUMENTS CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 172,054	\$ 161,996
Short-term investments	155,251	173,166
Accounts receivable, net	172,123	187,060
Inventories, net	188,591	169,990
Prepaid expenses and other current assets	58,462	48,009
Deferred income taxes, net	28,361	27,479
Total current assets	774,842	767,700
Property and equipment, net	259,123	249,721
Goodwill	146,660	147,258
Intangible assets, net	89,247	93,913
Other long-term assets	28,358	26,177
Total assets	\$ 1,298,230	\$ 1,284,769
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 66,821	\$ 65,080
Accrued compensation	26,202	29,978
Deferred revenue - current	94,992	90,714

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Accrued expenses and other liabilities	31,977	34,373
Other taxes payable	21,856	24,811
Total current liabilities	241,848	244,956
Deferred income taxes	46,464	47,630
Liability for uncertain tax positions	21,657	20,920
Deferred revenue - long-term	19,944	20,446
Other long-term liabilities	10,556	11,689
Total liabilities	340,469	345,641
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: par value \$0.01; 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock: par value \$0.01; 180,000,000 shares authorized; 123,528,394 and 122,878,690 shares issued and outstanding, respectively	1,235	1,229
Additional paid-in capital	552,510	532,845
Retained earnings	405,622	404,210
Accumulated other comprehensive (loss) income	(1,606)	844
Total stockholders' equity	957,761	939,128
Total liabilities and stockholders' equity	\$ 1,298,230	\$ 1,284,769

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

NATIONAL INSTRUMENTS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2013	2012
Net sales:		
Product	\$ 265,418	\$ 239,335
Software maintenance	21,070	21,798
Total net sales	286,488	261,133
Cost of sales:		
Product	68,626	59,791
Software maintenance	1,614	1,557
Total cost of sales	70,240	61,348
Gross profit	216,248	199,785
Operating expenses:		
Sales and marketing	114,070	100,052
Research and development	61,256	54,015
General and administrative	22,844	21,374
Acquisition related adjustment	(1,316)	-
Total operating expenses	196,854	175,441
Operating income	19,394	24,344
Other income:		
Interest income	185	230
Net foreign exchange loss	(1,462)	(888)
Other income, net	24	104
Income before income taxes	18,141	23,790
(Benefit from) provision for income taxes	(459)	5,148

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Net income	\$ 18,600	\$ 18,642
Basic earnings per share	\$ 0.15	\$ 0.15
Weighted average shares outstanding - basic	123,306	120,908
Diluted earnings per share	\$ 0.15	\$ 0.15
Weighted average shares outstanding - diluted	124,365	121,972
Dividends declared per share	\$ 0.14	\$ 0.14

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

NATIONAL INSTRUMENTS CORPORATION

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended March 31, 2013 2012	
Net income	\$ 18,600	\$ 18,642
Other comprehensive income, before tax and net of reclassification adjustments:		
Foreign currency translation adjustment	(2,924)	4,316
Unrealized (loss) gain on securities available-for-sale	(442)	1,293
Unrealized gain on derivative instruments	2,078	3,884
Other comprehensive (loss) income, before tax	(1,288)	9,493
Tax expense related to items of other comprehensive income	1,162	2,025
Other comprehensive (loss) income, net of tax	(2,450)	7,468
Comprehensive income	\$ 16,150	\$ 26,110

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

NATIONAL INSTRUMENTS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flow from operating activities:		
Net income	\$ 18,600	\$ 18,642
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,829	14,115
Stock-based compensation	7,134	6,303
Tax benefit from deferred income taxes	(1,902)	(1,567)
Tax benefit from stock option plans	(459)	(246)
Changes in operating assets and liabilities:		
Accounts receivable	15,115	1,671
Inventories	(18,045)	(8,413)
Prepaid expenses and other assets	(12,969)	9,468
Accounts payable	1,603	518
Deferred revenue	3,776	5,374
Taxes, accrued expenses and other liabilities	(9,200)	(12,361)
Net cash provided by operating activities	20,482	33,504
Cash flow from investing activities:		
Capital expenditures	(19,094)	(9,054)
Capitalization of internally developed software	(2,803)	(3,740)
Additions to other intangibles	(1,418)	(333)
Purchases of short-term investments	(8,177)	-
Sales and maturities of short-term investments	26,092	84,608
Net cash (used in) provided by investing activities	(5,400)	71,481
Cash flow from financing activities:		
Proceeds from issuance of common stock	11,798	7,605
Dividends paid	(17,281)	(16,934)
Tax benefit from stock option plans	459	246
Net cash used in financing activities	(5,024)	(9,083)

Net change in cash and cash equivalents	10,058	95,902
Cash and cash equivalents at beginning of period	161,996	142,608
Cash and cash equivalents at end of period	\$ 172,054	\$ 238,510

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

6

NATIONAL INSTRUMENTS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of presentation

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2012, included in our annual report on Form 10-K, filed with the Securities and Exchange Commission. In our opinion, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary to present fairly our financial position at March 31, 2013 and December 31, 2012, the results of our operations, comprehensive income, and cash flows for the three month periods ended March 31, 2013 and March 31, 2012. Operating results for the three month period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Note 2 – Earnings per share

Basic earnings per share (“EPS”) is computed by dividing net income by the weighted average number of common shares outstanding during each period. Diluted EPS is computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding (if dilutive) during each period. The number of common share equivalents, which include stock options and restricted stock units (“RSUs”), is computed using the treasury stock method.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the three months ended March 31, 2013 and 2012, are as follows:

Three Months
Ended March 31,
(In thousands)
(Unaudited)

	2013	2012
Weighted average shares outstanding-basic	123,306	120,908
Plus: Common share equivalents		
Stock options, restricted stock units	1,059	1,064
Weighted average shares outstanding-diluted	124,365	121,972

Stock awards to acquire 86,800 and 719,200 shares for the three months ended March 31, 2013 and 2012 were excluded in the computations of diluted EPS because the effect of including the stock awards would have been anti-dilutive.

Note 3 – Cash, cash equivalents and short-term investments

The following tables summarize unrealized gains and losses related to our short-term investments designated as available-for-sale:

	As of March 31, 2013	
(In thousands)	(Unaudited)	
	Gross	Gross