

HEICO CORP
Form 10-Q
February 22, 2013
Index

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 31, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 1-4604

HEICO CORPORATION

(Exact name of registrant as specified in its charter)

Florida

65-0341002

(State or other jurisdiction of incorporation or organization)

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

3000 Taft Street, Hollywood, Florida
(Address of principal executive offices)
(954) 987-4000

33021
(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 x 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 x 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.

Large accelerated filer x 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 x

The number of shares outstanding of each of the registrant's classes of common stock as of February 20, 2013 is as follows:

Common Stock, \$.01 par value	21,403,587	shares
Class A Common Stock, \$.01 par value	31,632,469	shares

Index

HEICO CORPORATION

INDEX TO QUARTERLY REPORT ON FORM 10-Q

	Page
Part I. Financial Information	
Item 1. <u>Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets (unaudited)</u> <u>as of January 31, 2013 and October 31, 2012</u>	2
<u>Condensed Consolidated Statements of Operations (unaudited)</u> <u>for the three months ended January 31, 2013 and 2012</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>(unaudited) for the three months ended January 31, 2013 and 2012</u>	4
<u>Condensed Consolidated Statements of Shareholders' Equity (unaudited) for the three</u> <u>months ended January 31, 2013 and 2012</u>	5
<u>Condensed Consolidated Statements of Cash Flows (unaudited)</u> <u>for the three months ended January 31, 2013 and 2012</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and</u> <u>Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	28
Part II. Other Information	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 6. <u>Exhibits</u>	30
<u>Signatures</u>	31

Index

PART I. FINANCIAL INFORMATION; Item 1. FINANCIAL STATEMENTS

HEICO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(in thousands, except per share data)

	January 31, 2013	October 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$19,089	\$21,451
Accounts receivable, net	110,258	122,214
Inventories, net	195,089	189,704
Prepaid expenses and other current assets	9,493	6,997
Deferred income taxes	25,766	27,545
Total current assets	359,695	367,911
Property, plant and equipment, net	81,800	80,518
Goodwill	543,932	542,114
Intangible assets, net	150,786	154,324
Deferred income taxes	2,608	2,492
Other assets	53,700	45,487
Total assets	\$1,192,521	\$1,192,846
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$657	\$626
Trade accounts payable	42,055	50,083
Accrued expenses and other current liabilities	57,774	76,241
Income taxes payable	2,088	4,564
Total current liabilities	102,574	131,514
Long-term debt, net of current maturities	254,224	131,194
Deferred income taxes	89,863	90,436
Other long-term liabilities	62,098	52,777
Total liabilities	508,759	405,921
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests (Note 10)	51,218	67,166
Shareholders' equity:		
Preferred Stock, \$.01 par value per share; 10,000 shares authorized; 300 shares designated as Series B Junior Participating Preferred Stock and 300 shares designated as Series C Junior Participating Preferred Stock; none issued	—	—
Common Stock, \$.01 par value per share; 75,000 shares authorized; 21,396 and 21,346 shares issued and outstanding	214	213
Class A Common Stock, \$.01 par value per share; 75,000 shares authorized; 31,625 and 31,517 shares issued and outstanding	316	315
Capital in excess of par value	248,817	244,632

Edgar Filing: HEICO CORP - Form 10-Q

Deferred compensation obligation	928	823	
HEICO stock held by irrevocable trust	(928)) (823)
Accumulated other comprehensive loss	(338)) (3,572)
Retained earnings	277,593	375,085	
Total HEICO shareholders' equity	526,602	616,673	
Noncontrolling interests	105,942	103,086	
Total shareholders' equity	632,544	719,759	
Total liabilities and equity	\$1,192,521	\$1,192,846	

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

Index

HEICO CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – UNAUDITED
 (in thousands, except per share data)

	Three months ended January 31,	
	2013	2012
Net sales	\$216,490	\$212,655
Operating costs and expenses:		
Cost of sales	138,901	134,407
Selling, general and administrative expenses	42,650	40,616
Total operating costs and expenses	181,551	175,023
Operating income	34,939	37,632
Interest expense	(640) (610
Other income	285	144
Income before income taxes and noncontrolling interests	34,584	37,166
Income tax expense	9,600	12,700
Net income from consolidated operations	24,984	24,466
Less: Net income attributable to noncontrolling interests	5,026	5,281
Net income attributable to HEICO	\$19,958	\$19,185
Net income per share attributable to HEICO shareholders:		
Basic	\$.38	\$.36
Diluted	\$.37	\$.36
Weighted average number of common shares outstanding:		
Basic	52,951	52,611
Diluted	53,439	53,285
Cash dividends per share	\$2.200	\$.048

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

Index

HEICO CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME – UNAUDITED
 (in thousands)

	Three months ended January 31,	
	2013	2012
Net income from consolidated operations	\$24,984	\$24,466
Other comprehensive income (loss):		
Foreign currency translation adjustments	3,234	(5,428)
Total other comprehensive income (loss)	3,234	(5,428)
Comprehensive income from consolidated operations	28,218	19,038
Less: Comprehensive income attributable to noncontrolling interests	5,026	5,281
Comprehensive income attributable to HEICO	\$23,192	\$13,757

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

Index

HEICO CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - UNAUDITED
 (in thousands, except per share data)

	HEICO Shareholders' Equity									Total Shareholders' Equity
	Redeemable Noncontrolling Interests	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Deferred Compensation Obligations	HEICO Stock Held by Irrevocable Trust	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	
Balances as of October 31, 2012	\$67,166	\$213	\$315	\$244,632	\$823	(\$823)	(\$3,572)	\$375,085	\$103,086	\$719,759
Comprehensive income	2,168	—	—	—	—	—	3,234	19,958	2,858	26,050
Cash dividends (\$2.20 per share)	—	—	—	—	—	—	—	(116,645)	—	(116,645)
Tax benefit from stock option exercises	—	—	—	5,170	—	—	—	—	—	5,170
Stock option compensation expense	—	—	—	1,094	—	—	—	—	—	1,094
Proceeds from stock option exercises	—	1	1	284	—	—	—	—	—	286
Redemptions of common stock related to stock options exercises	—	—	—	(2,364)	—	—	—	—	—	(2,364)
Acquisitions of noncontrolling interests	(16,610)	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests	(2,310)	—	—	—	—	—	—	—	—	—
Adjustments to redemption amount of redeemable noncontrolling interests	804	—	—	—	—	—	—	(804)	—	(804)
Deferred compensation obligation	—	—	—	—	105	(105)	—	—	—	—
Other	—	—	—	1	—	—	—	(1)	(2)	(2)
Balances as of January 31,	\$51,218	\$214	\$316	\$248,817	\$928	(\$928)	(\$338)	\$277,593	\$105,942	\$632,544

Edgar Filing: HEICO CORP - Form 10-Q

2013

HEICO Shareholders' Equity

	Redeemable Noncontrolling Interests	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Deferred Compensation Obligations	HEICO Stock held by Irrevocable Trust	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Shareholders' Equity
Balances as of October 31, 2011	\$65,430	\$171	\$250	\$226,120	\$522	(\$522)	\$3,033	\$299,497	\$91,083	\$620,154
Comprehensive income	2,381	—	—	—	—	—	(5,428)	19,185	2,900	16,657
Cash dividends (\$0.048 per share)	—	—	—	—	—	—	—	(2,526)	—	(2,526)
Tax benefit from stock option exercises	—	—	—	13,026	—	—	—	—	—	13,026
Stock option compensation expense	—	—	—	942	—	—	—	—	—	942
Proceeds from stock option exercises	—	—	—	79	—	—	—	—	—	79
Distributions to noncontrolling interests	(3,006)	—	—	—	—	—	—	—	—	—
Adjustments to redemption amount of redeemable noncontrolling interests	992	—	—	—	—	—	—	(992)	—	(992)
Other	420	—	—	—	—	—	(148)	(79)	—	(227)
Balances as of January 31, 2012	\$66,217	\$171	\$250	\$240,167	\$522	(\$522)	(\$2,543)			