

VISHAY INTERTECHNOLOGY INC
Form 10-Q
August 02, 2011

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 2, 2011

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 1-7416

VISHAY INTERTECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware 38-1686453
(State or Other Jurisdiction of Incorporation) (I.R.S. Employer Identification Number)

63 Lancaster Avenue 610-644-1300
Malvern, PA 19355-2143
(Address of Principal Executive Offices) (Registrant's Area Code and Telephone Number)

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 (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). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition 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 (Do not check if smaller reporting company) 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 29, 2011, the registrant had 143,709,508 shares of its common stock and 13,452,549 shares of its Class B common stock outstanding.

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VISHAY INTERTECHNOLOGY, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VISHAY INTERTECHNOLOGY, INC.
 Consolidated Condensed Balance Sheets
 (Unaudited - In thousands)

	July 2, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 692,592	\$ 897,338
Short-term investments	314,408	-
Accounts receivable, net	345,121	330,556
Inventories:		
Finished goods	122,594	109,762
Work in process	192,743	178,844
Raw materials	160,955	139,216
Total inventories	476,292	427,822
Deferred income taxes	32,831	31,903
Prepaid expenses and other current assets	140,565	106,885
Total current assets	2,001,809	1,794,504
Property and equipment, at cost:		
Land	95,120	93,020
Buildings and improvements	502,452	477,518
Machinery and equipment	2,118,260	2,025,793
Construction in progress	62,938	75,051
Allowance for depreciation	(1,872,985)	(1,759,268)
	905,785	912,114
Intangible assets, net	106,575	113,830
Other assets	142,526	145,645
Total assets	\$ 3,156,695	\$ 2,966,093

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VISHAY INTERTECHNOLOGY, INC.
 Consolidated Condensed Balance Sheets (continued)
 (Unaudited - In thousands)

	July 2, 2011	December 31, 2010
Liabilities and equity		
Current liabilities:		
Notes payable to banks	\$ 12	\$ 23
Trade accounts payable	184,256	167,795
Payroll and related expenses	119,163	122,234
Other accrued expenses	170,638	186,049
Income taxes	60,282	51,060
Total current liabilities	534,351	527,161
Long-term debt less current portion	422,422	431,682
Deferred income taxes	119,551	82,043
Deferred grant income	2,477	2,788
Other liabilities	133,203	134,152
Accrued pension and other postretirement costs	298,467	291,117
Total liabilities	1,510,471	1,468,943
Stockholders' equity:		
Vishay stockholders' equity		
Common stock	14,359	15,061
Class B convertible common stock	1,345	1,435
Capital in excess of par value	2,082,649	2,156,981
(Accumulated deficit) retained earnings	(584,855)	(742,237)
Accumulated other comprehensive income (loss)	127,086	60,491
Total Vishay stockholders' equity	1,640,584	1,491,731
Noncontrolling interests	5,640	5,419
Total equity	1,646,224	1,497,150
Total liabilities and equity	\$ 3,156,695	\$ 2,966,093

See accompanying notes.

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VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statements of Operations

(Unaudited - In thousands, except per share amounts)

	Fiscal quarters ended	
	July 2, 2011	July 3, 2010
Net revenues	\$ 709,838	\$ 701,655
Costs of products sold	497,648	491,062
Gross profit	212,190	210,593
Selling, general, and administrative expenses	92,796	109,266
Executive compensation charge	3,889	-
Operating income	115,505	101,327
Other income (expense):		
Interest expense	(4,624)	(2,400)
Other	(28)	5,956
	(4,652)	3,556
Income before taxes	110,853	104,883
Income tax expense	28,357	27,918
Net earnings	82,496	76,965
Less: net earnings attributable to noncontrolling interests	401	306
Net earnings attributable to Vishay stockholders	\$ 82,095	\$ 76,659
Basic earnings per share attributable to Vishay stockholders	\$ 0.51	\$ 0.41
Diluted earnings per share attributable to Vishay stockholders	\$ 0.48	\$ 0.40
Weighted average shares outstanding - basic	160,801	186,667
Weighted average shares outstanding - diluted	170,645	193,084

See accompanying notes.

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VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statements of Operations

(Unaudited - In thousands, except per share amounts)

	Six fiscal months ended	
	July 2, 2011	July 3, 2010
Net revenues	\$ 1,404,989	\$ 1,342,115
Costs of products sold	978,136	964,509
Gross profit	426,853	377,606
Selling, general, and administrative expenses	185,261	211,154
Executive compensation charge	3,889	-
Operating income	237,703	166,452
Other income (expense):		
Interest expense	(8,678)	(4,834)
Other	(535)	6,000
	(9,213)	1,166
Income before taxes	228,490	167,618
Income taxes	70,387	45,014
Net earnings	158,103	122,604
Less: net earnings attributable to noncontrolling interests	721	525
Net earnings attributable to Vishay stockholders	\$ 157,382	\$ 122,079
Basic earnings per share attributable to Vishay stockholders	\$ 0.97	\$ 0.65
Diluted earnings per share attributable to Vishay stockholders	\$ 0.91	\$ 0.63
Weighted average shares outstanding - basic	163,006	186,654
Weighted average shares outstanding - diluted	173,143	193,076

See accompanying notes.

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VISHAY INTERTECHNOLOGY, INC.
 Consolidated Condensed Statements of Cash Flows
 (Unaudited - In thousands)

	Six fiscal months ended	
	July 2, 2011	July 3, 2010
Continuing operating activities		
Net earnings	\$ 158,103	\$ 122,604
Adjustments to reconcile net earnings to net cash provided by continuing operating activities:		
Depreciation and amortization	91,512	99,262
Gain on disposal of property and equipment	(930)	(92)
Accretion of interest on convertible debentures	861	-
Inventory write-offs for obsolescence	10,560	10,853
Deferred grant income	(235)	(313)
Other	3,557	13,436
Net change in operating assets and liabilities, net of effects of businesses acquired or spun-off	(89,512)	(68,199)
Net cash provided by continuing operating activities	173,916	177,551
Continuing investing activities		
Capital expenditures	(45,365)	(49,193)
Proceeds from sale of property and equipment	1,473	590
Proceeds from loans receivable	-	15,000
Purchase of short-term investments	(391,524)	-
Maturity of short-term investments	82,990	-
Other investing activities	307	-
Net cash used in continuing investing activities	(352,119)	(33,603)
Continuing financing activities		
Proceeds from long-term borrowings	150,000	-
Issuance costs	(4,144)	(456)
Common stock repurchase	(150,000)	-
Principal payments on long-term debt and capital leases	(6)	(14,129)
Net payments on revolving credit lines	(60,000)	-
Net changes in short-term borrowings	(9)	554
Proceeds from stock options exercised	7,938	-
Excess tax benefit from stock options exercised	555	-
Distributions to noncontrolling interests	(500)	(516)
Net cash used in continuing financing activities	(56,166)	(14,547)
Effect of exchange rate changes on cash and cash equivalents	29,623	(33,927)
Net (decrease) increase in cash and cash equivalents from continuing activities	(204,746)	95,474
Net cash used in discontinued operating activities	-	(82)
Net cash used in discontinued investing activities	-	-
Net cash used in discontinued financing activities	-	-
Net cash used in discontinued operations	-	(82)

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Net (decrease) increase in cash and cash equivalents	(204,746)	95,392
Cash and cash equivalents at beginning of period	897,338	579,189
Cash and cash equivalents at end of period	\$ 692,592	\$ 674,581

See accompanying notes.

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VISHAY INTERTECHNOLOGY, INC.

Consolidated Condensed Statement of Equity

(Unaudited - In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Vishay Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2011	\$ 15,061	\$ 1,435	\$ 2,156,981	\$ (742,237)	\$ 60,491	\$ 1,491,731	\$ 5,419	\$ 1,497,150
Net earnings	-	-	-	157,382	-	157,382	721	158,103
Other comprehensive income	-	-	-	-	66,595	66,595	-	66,595
Comprehensive income						223,977	721	224,698
Distributions to noncontrolling interests	-	-	-	-	-	-	(500)	(500)
Phantom and restricted stock								
issuances (167,629 shares)	17	-	(128)	-	-	(111)	-	(111)
Issuance of convertible debentures due 2041	-	-	61,758	-	-	61,758	-	61,758
Stock repurchase (8,620,689 shares)	(862)	-	(149,138)	-	-	(150,000)	-	(150,000)
Stock compensation expense	-	-	4,736	-	-	4,736	-	4,736
Stock options exercised (533,731 shares)	53	-	7,885	-	-	7,938	-	7,938
Tax effects of stock plan	-	-	555	-	-	555	-	555
Conversions from Class B								
to common stock (900,290 shares)	90	(90)	-	-	-	-	-	-
Balance at July 2, 2011	\$ 14,359	\$ 1,345	\$ 2,082,649	\$ (584,855)	\$ 127,086	\$ 1,640,584	\$ 5,640	\$ 1,646,224

See accompanying notes.

Vishay Intertechnology, Inc.

Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of Vishay Intertechnology, Inc. (“Vishay” or the “Company”) have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. The financial statements should be read in conjunction with the consolidated financial statements filed with the Company’s Annual Report on Form 10-K for the year ended December 31, 2010. The results of operations for the six fiscal months ended July 2, 2011 are not necessarily indicative of the results to be expected for the full year.

The Company reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first fiscal quarter, which always begins on January 1, and the fourth fiscal quarter, which always ends on December 31. The four fiscal quarters in 2011 end on April 2, 2011, July 2, 2011, October 1, 2011, and December 31, 2011. The four fiscal quarters in 2010 ended on April 3, 2010, July 3, 2010, October 2, 2010, and December 31, 2010, respectively.

On July 6, 2010, Vishay completed the spin-off of Vishay Precision Group, Inc. (“VPG”) through a tax-free stock dividend to Vishay’s stockholders. Until July 6, 2010, VPG was part of Vishay and its results of operations and cash flows are included in the balances reported in these consolidated condensed financial statements for periods prior to the completion of the spin-off.

In preparation for the spin-off of VPG, the Company realigned its reportable business segments structure in the second fiscal quarter of 2010 to be consistent with changes made to its management reporting. Refer to Note 8 for a description of the new segment reporting structure.

Recently Issued Accounting Guidance

In January 2010, the Financial Accounting Standards Board (“FASB”) updated the accounting guidance related to fair value measurements disclosures. The updated guidance (i) requires separate disclosure of significant transfers in and out of Levels 1 and 2 fair value measurements, (ii) requires disclosure of Level 3 fair value measurements activity on a gross basis, (iii) clarifies existing disaggregation requirements, (iv) and clarifies existing input and valuation technique disclosure requirements. The updated guidance was effective for the Company for interim and annual periods beginning after January 1, 2010, except for the Level 3 fair value measurement disclosure requirements, which are effective for fiscal years beginning after January 1, 2011. Vishay adopted the then-effective aspects of the guidance on January 1, 2010 and adopted the remaining guidance on January 1, 2011. The adoption of the guidance had no effect on the Company’s financial position, results of operations, or liquidity.

In May 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-4, Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The ASU generally aligns the principles for fair value measurements and the related disclosure requirements under GAAP and IFRS. The updated guidance clarifies existing fair value measurement and disclosure requirements and requires additional disclosure requirements. The ASU is effective for the Company for interim and annual periods beginning after January 1, 2012. The adoption of the ASU is not expected to have any effect on the Company’s financial position, results of operations, or liquidity.

In June 2011, the FASB issued ASU No. 2011-5, Comprehensive Income (Topic 220), Presentation of Comprehensive Income. The ASU requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate, but consecutive statements. The ASU is effective for the Company for interim and annual periods beginning after January 1, 2012. The adoption of the ASU is not expected to have any effect on the Company's financial position, results of operations, or liquidity.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current financial statement presentation.

Note 2 – Acquisition and Divestiture Activities

As part of its growth strategy, the Company seeks to expand through targeted acquisitions of other manufacturers of electronic components that have established positions in major markets, reputations for product quality and reliability, and product lines with which the Company has substantial marketing and technical expertise.

Spin-off of Vishay Precision Group, Inc.

On October 27, 2009, Vishay announced that it intended to spin off its measurements and foil resistors businesses into an independent, publicly-traded company to be named Vishay Precision Group, Inc.

On June 15, 2010, the Board of Directors of Vishay approved the spin-off of VPG and on July 6, 2010, Vishay completed the spin-off through a tax-free stock dividend to Vishay's stockholders. Vishay's common stockholders received 1 share of VPG common stock for every 14 shares of Vishay common stock they held on the record date, June 25, 2010, and Vishay's Class B common stockholders received 1 share of VPG Class B common stock for every 14 shares of Vishay Class B common stock they held on the record date.

Until July 6, 2010, VPG was part of Vishay and its results of operations and cash flows are included in the amounts reported in these consolidated condensed financial statements for periods prior to the completion of the spin-off. The product lines that comprise VPG are included in the VPG reporting segment. See Note 8 for further information on the effect that VPG had on Vishay's consolidated results.

Relationship with VPG after Spin-off

Following the spin-off, VPG is an independent company and Vishay retains no ownership interest. However, two members of the VPG board of directors also serve on Vishay's board of directors.

In connection with the completion of the spin-off, on July 6, 2010, Vishay and its subsidiaries entered into several agreements with VPG and its subsidiaries that govern the relationship of the parties following the spin-off. Among the agreements entered into with VPG and its subsidiaries were a transition services agreement, several lease agreements, and supply agreements. None of the agreements are expected to have a material impact on Vishay's financial position, results of operations, or liquidity.

Vishay also entered into a trademark license agreement with VPG pursuant to which Vishay granted VPG the license to use certain trademarks, service marks, logos, trade names, entity names, and domain names which include the term "Vishay." The license granted VPG the limited, exclusive, royalty-free right and license to use certain marks and names incorporating the term "Vishay" in connection with the design, development, manufacture, marketing, provision