

TELEFLEX INC  
Form 10-Q  
August 01, 2006

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**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 June 25, 2006**

**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 1-5353**

**TELEFLEX INCORPORATED**

**(Exact name of registrant as specified in its charter)**

**Delaware**

**23-1147939**

**(State or other jurisdiction of  
incorporation or organization)**

**(I.R.S. employer identification no.)**

**155 South Limerick Road,  
Limerick, Pennsylvania**

**19468**

**(Address of principal executive offices)**

**(Zip Code)**

**(610) 948-5100**

**(Registrant's telephone number, including area code)**

(None)

**(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2).

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of July 19, 2006:

**Common Stock, \$1.00 Par Value**

**39,994,873**

**(Title of each class)**

**(Number of shares)**

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**TELEFLEX INCORPORATED**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE QUARTER ENDED JUNE 25, 2006**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****TELEFLEX INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)**

|   | <b>Three Months Ended</b>                                  |                          | <b>Six Months Ended</b>  |                          |
|---|--|--------------------------|--------------------------|--------------------------|
|   | <b>June 25,<br/>2006</b>                                   | <b>June 26,<br/>2005</b> | <b>June 25,<br/>2006</b> | <b>June 26,<br/>2005</b> |
|   | <b>(Dollars and shares in thousands, except per share)</b> |                          |                          |                          |
| Revenues  | \$ 682,615   | \$ 657,009               | \$ 1,314,782             | \$ 1,280,609             |
| Materials, labor and other product costs  | 480,091  | 466,770                  | 928,660                  | 916,628                  |
| Gross profit  | 202,524  | 190,239                  | 386,122                  | 363,981                  |
| Selling, engineering and administrative expenses  | 129,665  | 116,224                  | 252,784                  | 232,571                  |
| Net loss on sales of businesses and assets  | 1,828  |                          | 1,185                    |                          |
| Restructuring and impairment charges  | 8,475  | 6,653                    | 12,968                   | 13,947                   |
| Income from continuing operations before interest, taxes and minority interest  | 62,556   | 67,362                   | 119,185                  | 117,463                  |
| Interest expense  | 10,930   | 11,132                   | 20,875                   | 22,747                   |
| Interest income   | (1,627)  | (567)                    | (3,135)                  | (1,094)                  |
| Income from continuing operations before taxes and minority interest  | 53,253   | 56,797                   | 101,445                  | 95,810                   |
| Taxes on income from continuing operations  | 11,291   | 13,478                   | 24,830                   | 22,928                   |
| Income from continuing operations before minority interest  | 41,962   | 43,319                   | 76,615                   | 72,882                   |
| Minority interest in consolidated subsidiaries, net of tax  | 5,935  | 5,181                    | 11,588                   | 9,879                    |
| Income from continuing operations   | 36,027   | 38,138                   | 65,027                   | 63,003                   |
| Operating income (loss) from discontinued operations (including gain on disposal of \$1,000, \$1,687, \$1,064 and \$36,121, respectively) | 304  | (13,424)                 | 449                      | 7,944                    |
| Taxes (benefit) on income (loss) from discontinued operations   | (308)  | (4,259)                  | (269)                    | 3,248                    |
| Income (loss) from discontinued operations  | 612  | (9,165)                  | 718                      | 4,696                    |

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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Net income                                  | \$ 36,639 | \$ 28,973 | \$ 65,745 | \$ 67,699 |
| Earnings (losses) per share:                |           |           |           |           |
| Basic:                                      |           |           |           |           |
| Income from continuing operations           | \$ 0.90   | \$ 0.94   | \$ 1.61   | \$ 1.55   |
| Income (loss) from discontinued operations  | \$ 0.02   | \$ (0.23) | \$ 0.02   | \$ 0.12   |
| Net income                                  | \$ 0.91   | \$ 0.71   | \$ 1.63   | \$ 1.67   |
| Diluted:                                    |           |           |           |           |
| Income from continuing operations           | \$ 0.89   | \$ 0.93   | \$ 1.60   | \$ 1.54   |
| Income (loss) from discontinued operations  | \$ 0.02   | \$ (0.22) | \$ 0.02   | \$ 0.11   |
| Net income                                  | \$ 0.90   | \$ 0.71   | \$ 1.62   | \$ 1.66   |
| Dividends per share                         | \$ 0.285  | \$ 0.250  | \$ 0.535  | \$ 0.470  |
| Weighted average common shares outstanding: |           |           |           |           |
| Basic                                       | 40,244    | 40,635    | 40,295    | 40,544    |
| Diluted                                     | 40,495    | 41,031    | 40,577    | 40,865    |

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

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**TELEFLEX INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

|  | <b>June 25,<br/>2006</b>      | <b>December 25,<br/>2005</b> |
|--|-------------------------------|------------------------------|
|  | <b>(Dollars in thousands)</b> |                              |
| <b>ASSETS</b>  |                               |                              |
| Current assets   |                               |                              |
| Cash and cash equivalents                                | \$ 240,936                    | \$ 239,536                   |
| Accounts receivable, net                                 | 431,023                       | 421,236                      |
| Inventories  | 418,123                       | 404,271                      |
| Prepaid expenses   | 23,380                        | 20,571                       |
| Deferred tax assets                                      | 64,251                        | 57,915                       |
| Assets held for sale                                     | 17,155                        | 16,899                       |
| <br>   |                               |                              |
| Total current assets                                     | 1,194,868                     | 1,160,428                    |
| Property, plant and equipment, net                       | 433,993                       | 447,816                      |
| Goodwill   | 495,615                       | 504,666                      |
| Intangibles and other assets                             | 250,642                       | 259,218                      |
| Investments in affiliates                                | 24,262                        | 24,666                       |
| Deferred tax assets                                      | 5,698                         | 6,254                        |
| <br>   |                               |                              |
| Total assets   | \$ 2,405,078                  | \$ 2,403,048                 |
| <br><b>LIABILITIES AND SHAREHOLDERS EQUITY</b>           |                               |                              |
| Current liabilities                                      |                               |                              |
| Current borrowings                                       | \$ 82,157                     | \$ 125,510                   |
| Accounts payable   | 215,031                       | 206,548                      |
| Accrued expenses   | 190,619                       | 206,231                      |
| Income taxes payable                                     | 28,224                        | 46,222                       |
| Deferred tax liabilities                                 | 234                           | 408                          |
| Liabilities held for sale                                | 106                           | 66                           |
| <br>   |                               |                              |
| Total current liabilities                                | 516,371                       | 584,985                      |
| Long-term borrowings                                     | 491,378                       | 505,272                      |
| Deferred tax liabilities                                 | 56,166                        | 50,535                       |
| Other liabilities  | 104,472                       | 102,782                      |
| <br>   |                               |                              |
| Total liabilities  | 1,168,387                     | 1,243,574                    |
| Minority interest in equity of consolidated subsidiaries | 28,497                        | 17,400                       |
| Commitments and contingencies                            |                               |                              |
| Shareholders' equity                                     | 1,208,194                     | 1,142,074                    |
| <br>   |                               |                              |
| Total liabilities and shareholders' equity               | \$ 2,405,078                  | \$ 2,403,048                 |

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



Table of Contents**TELEFLEX INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

|   | <b>Six Months Ended</b>       |                          |
|---|-------------------------------|--------------------------|
|   | <b>June 25,<br/>2006</b>      | <b>June 26,<br/>2005</b> |
|   | <b>(Dollars in thousands)</b> |                          |
| <b>Cash Flows from Operating Activities of Continuing Operations:</b>             |                               |                          |
| Net income  | \$ 65,745                     | \$ 67,699                |
| Adjustments to reconcile net income to net cash provided by operating activities: |                               |                          |
| Income from discontinued operations   | (718)                         | (4,696)                  |
| Depreciation expense  | 40,855                        | 43,383                   |
| Amortization expense of intangible assets   | 6,670                         | 7,368                    |
| Amortization expense of deferred financing costs                                  | 684                           | 481                      |
| Stock-based compensation  | 3,305                         |                          |
| Net loss on sales of businesses and assets  | 1,185                         |                          |
| Impairment of long-lived assets   | 4,757                         | 2,664                    |
| Minority interest in consolidated subsidiaries                                    | 11,588                        | 9,879                    |
| Changes in operating assets and liabilities, net of effects of acquisitions:      |                               |                          |
| Accounts receivable   | 5,937                         | 39,409                   |
| Inventories   | (3,788)                       | (3,159)                  |
| Prepaid expenses  | 2,589                         | 138                      |
| Accounts payable and accrued expenses   | (1,143)                       | 3,308                    |
| Income taxes payable and deferred income taxes                                    | (5,311)                       | 4,734                    |
| <br>Net cash provided by operating activities from continuing operations          | <br>132,355                   | <br>171,208              |
| <br><b>Cash Flows from Financing Activities of Continuing Operations:</b>         |                               |                          |
| Proceeds from long-term borrowings  |                               | 16,000                   |
| Reduction in long-term borrowings   | (18,275)                      | (69,768)                 |
| Decrease in notes payable and current borrowings                                  | (47,042)                      | (53,524)                 |
| Proceeds from stock compensation plans  | 8,275                         | 11,455                   |
| Payments to minority interest shareholders  |                               | (9,075)                  |
| Purchases of treasury stock   | (22,611)                      |                          |
| Dividends   | (21,609)                      | (19,097)                 |
| <br>Net cash used in financing activities from continuing operations              | <br>(101,262)                 | <br>(124,009)            |
| <br><b>Cash Flows from Investing Activities of Continuing Operations:</b>         |                               |                          |
| Expenditures for property, plant and equipment                                    | (28,103)                      | (26,387)                 |
| Payments for businesses acquired  | (4,334)                       | (6,701)                  |
| Proceeds from sales of businesses and assets                                      | 899                           | 88,948                   |
| Proceeds from (investments in) affiliates   | 2,550                         | (11)                     |
| Working capital payment for divested business                                     | (5,629)                       |                          |
| Other   | (1,578)                       | 4,728                    |

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|  |          |         |
|--|----------|---------|
| Net cash provided by (used in) investing activities from continuing operations | (36,195) | 60,577  |
| Cash Flows from Discontinued Operations 2005 Revised (See Note 1):             |          |         |
| Net cash provided by (used in) operating activities                            | 696      | (389)   |
| Net cash used in financing activities  |          | (1,533) |
| Net cash provided by (used in) investing activities                            | 104      | (2,023) |
| Net cash provided by (used in) discontinued operations                         | 800      | (3,945) |
| Effect of exchange rate changes on cash and cash equivalents                   | 5,702    | (7,330) |
| Net increase in cash and cash equivalents                                      | 1,400    | 96,501  |
| Cash and cash equivalents at the beginning of the period                       | 239,536  | 115,955 |