

WESCO INTERNATIONAL INC

Form 10-Q

August 03, 2018

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 June 30, 2018

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: 001-14989

WESCO International, Inc.

(Exact name of registrant as specified in its charter)

Delaware 25-1723342

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

225 West Station Square Drive 15219
Suite 700 (Zip Code)
Pittsburgh, Pennsylvania

(Address of principal executive offices)

(412) 454-2200

(Registrant's telephone number, including area code)

Not applicable.

(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 at least 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

(Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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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 August 2, 2018, 47,099,411 shares of common stock, \$0.01 par value, of the registrant were outstanding.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

The interim financial information required by this item is set forth in the unaudited Condensed Consolidated Financial Statements and Notes thereto in this Quarterly Report on Form 10-Q, as follows:

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except share data)

(unaudited)

	As of June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 110,940	\$ 117,953
Trade accounts receivable, net of allowance for doubtful accounts of \$22,763 and \$21,313 in 2018 and 2017, respectively	1,257,330	1,170,080
Other accounts receivable	62,361	101,229
Inventories	935,231	956,148
Prepaid expenses and other current assets	81,078	63,439
Total current assets	2,446,940	2,408,849
Property, buildings and equipment, net of accumulated depreciation of \$285,632 and \$278,455 in 2018 and 2017, respectively	157,492	156,445
Intangible assets, net of accumulated amortization of \$237,716 and \$223,554 in 2018 and 2017, respectively	340,579	367,104
Goodwill	1,744,694	1,771,877
Other assets	25,281	31,193
Total assets	\$4,714,986	\$4,735,468
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 818,179	\$ 799,520
Accrued payroll and benefit costs	54,353	72,686
Short-term debt	35,527	34,075
Current portion of long-term debt	1,188	1,224
Bank overdrafts	28,296	37,644
Other current liabilities	88,366	95,820
Total current liabilities	1,025,909	1,040,969
Long-term debt, net of debt discount and debt issuance costs of \$11,441 and \$14,224 in 2018 and 2017, respectively	1,261,705	1,313,261
Deferred income taxes	140,498	136,858
Other noncurrent liabilities	121,119	128,237
Total liabilities	\$2,549,231	\$2,619,325
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 20,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$.01 par value; 210,000,000 shares authorized, 59,144,569 and 59,045,762 shares issued and 47,099,031 and 47,009,540 shares outstanding in 2018 and 2017, respectively	591	591
Class B nonvoting convertible common stock, \$.01 par value; 20,000,000 shares authorized, 4,339,431 issued and no shares outstanding in 2018 and 2017, respectively	43	43
Additional capital	1,005,897	999,156
Retained earnings	2,182,484	2,079,697

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Treasury stock, at cost; 16,384,969 and 16,375,653 shares in 2018 and 2017, respectively	(647,843)	(647,158)
Accumulated other comprehensive loss	(370,105)	(312,590)
Total WESCO International, Inc. stockholders' equity	2,171,067	2,119,739
Noncontrolling interests	(5,312)	(3,596)
Total stockholders' equity	2,165,755	2,116,143
Total liabilities and stockholders' equity	\$4,714,986	\$4,735,468

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands of dollars, except per share data)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Net sales (Note 3)	\$2,103,994	\$1,909,624	\$4,097,909	\$3,682,215
Cost of goods sold (excluding depreciation and amortization)	1,704,100	1,543,510	3,318,066	2,966,083
Selling, general and administrative expenses (Note 8)	292,888	267,735	583,717	535,153
Depreciation and amortization	15,823	15,721	31,703	31,686
Income from operations	91,183	82,658	164,423	149,293
Net interest and other (Notes 8 and 9)	17,741	16,369	37,524	32,636
Income before income taxes	73,442	66,289	126,899	116,657
Provision for income taxes	15,769	16,754	26,255	29,323
Net income	57,673	49,535	100,644	