

BELDEN INC.  
Form 10-Q  
May 11, 2011

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended April 3, 2011  
Commission File No. 001-12561**

**BELDEN INC.**

(Exact name of registrant as specified in its charter)

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

**36-3601505  
(I.R.S. Employer  
Identification No.)**

**7733 Forsyth Boulevard, Suite 800  
St. Louis, Missouri 63105  
(Address of principal executive offices)  
(314) 854-8000**

**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 Act 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 website, 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 shell company (as defined in Rule 12b-2 of the Exchange Act). 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

(Do not check if a smaller reporting company)

As of May 9, 2011, the Registrant had 47,376,195 outstanding shares of common stock.

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	<b>April 3, 2011 (Unaudited)</b>	<b>December 31, 2010</b>
	<b>(In thousands)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 323,085	\$ 358,653
Receivables, net	322,556	298,266
Inventories, net	208,080	175,659
Deferred income taxes	9,231	9,473
Other current assets	19,914	18,804
Total current assets	882,866	860,855
Property, plant and equipment, less accumulated depreciation	286,637	278,866
Goodwill	353,772	322,556
Intangible assets, less accumulated amortization	158,755	143,820
Deferred income taxes	28,113	27,565
Other long-lived assets	68,646	62,822
	\$ 1,778,789	\$ 1,696,484
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 228,585	\$ 212,084
Accrued liabilities	156,923	145,840
Total current liabilities	385,508	357,924
Long-term debt	551,056	551,155
Postretirement benefits	118,668	112,426
Other long-term liabilities	36,327	36,464
Stockholders' equity:		
Preferred stock		
Common stock	503	503
Additional paid-in capital	595,305	595,519
Retained earnings	191,063	171,568
Accumulated other comprehensive income (loss)	13,838	(8,919)
Treasury stock	(113,479)	(120,156)
Total stockholders' equity	687,230	638,515
	\$ 1,778,789	\$ 1,696,484

The accompanying notes are an integral part of these Consolidated Financial Statements



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**BELDEN INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>April 3, 2011</b>	<b>April 4, 2010</b>
	<b>(In thousands, except per share amounts)</b>	
Revenues	\$ 461,628	\$ 384,424
Cost of sales	(331,173)	(274,014)
Gross profit	130,455	110,410
Selling, general and administrative expenses	(74,936)	(68,735)
Research and development	(13,629)	(10,308)
Amortization of intangibles	(3,679)	(2,713)
Income from equity method investment	3,862	2,641
Operating income	42,073	31,295
Interest expense	(11,808)	(12,946)
Interest income	159	182
Income from continuing operations before taxes	30,424	18,531
Income tax expense	(8,406)	(4,201)
Income from continuing operations	22,018	14,330
Loss from discontinued operations, net of tax	(128)	(2,583)
Net income	\$ 21,890	\$ 11,747
Weighted average number of common shares and equivalents:		
Basic	47,209	46,697
Diluted	48,330	47,510
Basic income (loss) per share		
Continuing operations	\$ 0.47	\$ 0.31
Discontinued operations	(0.01)	(0.06)
Net income	\$ 0.46	\$ 0.25
Diluted income (loss) per share		
Continuing operations	\$ 0.46	\$ 0.30
Discontinued operations	(0.01)	(0.05)
Net income	\$ 0.45	\$ 0.25
Dividends declared per share	\$ 0.05	\$ 0.05

The accompanying notes are an integral part of these Consolidated Financial Statements

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**BELDEN INC.**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>April 3,</b>	<b>April 4, 2010</b>
	<b>2011</b>	<b>2010</b>
	<b>(In thousands)</b>	
Cash flows from operating activities:		
Net income	\$ 21,890	\$ 11,747
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	12,860	14,614
Share-based compensation	2,925	3,325
Pension funding less than (greater than) pension expense	1,613	(6,004)
Provision for inventory obsolescence	878	919
Tax deficiency (benefit) related to share-based compensation	(1,668)	278
Income from equity method investment	(3,862)	(2,641)
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	(12,431)	(20,255)
Inventories	(24,622)	(12,520)
Accounts payable	10,528	18,429
Accrued liabilities	(30,638)	(21,293)
Accrued taxes	7,347	(1,191)
Other assets	(794)	3,298
Other liabilities	347	(1,913)
Net cash used for operating activities	(15,627)	(13,207)
Cash flows from investing activities:		
Cash used to acquire businesses, net of cash acquired	(23,192)	
Capital expenditures	(6,798)	(7,002)
Proceeds from disposal of tangible assets	1,136	1,824
Cash provided by other investing activities		163
Net cash used for investing activities	(28,854)	(5,015)
Cash flows from financing activities:		
Payments under borrowing arrangements		(46,268)
Cash dividends paid	(2,392)	(2,361)
Tax benefit (deficiency) related to share-based compensation	1,668	(278)
Proceeds from exercise of stock options	3,952	543
Net cash provided by (used for) financing activities	3,228	(48,364)
Effect of foreign currency exchange rate changes on cash and cash equivalents	5,685	(3,410)
Decrease in cash and cash equivalents	(35,568)	(69,996)
Cash and cash equivalents, beginning of period	358,653	308,879
Cash and cash equivalents, end of period	\$ 323,085	\$ 238,883



The accompanying notes are an integral part of these Consolidated Financial Statements

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**BELDEN INC.**  
**CONSOLIDATED STOCKHOLDERS EQUITY STATEMENT**  
**THREE MONTHS ENDED APRIL 3, 2011**  
**(Unaudited)**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>		<b>Component of Equity</b>	<b>Accumulated Other Comprehensive Income (Loss) Pension and Postretirement Liability</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Capital</b>	<b>Earnings</b>	<b>Shares</b>	<b>Amount</b>	<b>Equity</b>	<b>Liability</b>	<b>Total</b>
	<b>(In thousands)</b>								
<b>Balance at December 31, 2010</b>	50,335	\$ 503	\$ 595,519	\$ 171,568	(3,290)	\$(120,156)	\$ 32,095	\$ (41,014)	\$ 638,515
Net income				21,890					21,890
Foreign currency translation							22,757		22,757
Comprehensive income									44,647
Exercise of stock options, net of tax withholding forfeitures			(1,436)		215	5,025			3,589
Conversion of restricted stock units into common stock, net of tax withholding forfeitures			(3,371)		95	1,652			(1,719)
Share-based compensation			4,593						4,593
Dividends (\$0.05 per share)				(2,395)					(2,395)
<b>Balance at April 3, 2011</b>	50,335	\$ 503	\$ 595,305	\$ 191,063	(2,980)	\$(113,479)	\$ 54,852	\$ (41,014)	\$ 687,230

The accompanying notes are an integral part of these Consolidated Financial Statements

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**BELDEN INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1: Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying Consolidated Financial Statements include Belden Inc. and all of its subsidiaries (the Company, us, we, or our). We eliminate all significant affiliate accounts and transactions in consolidation.

The accompanying Consolidated Financial Statements presented as of any date other than December 31, 2010:

Are prepared from the books and records without audit, and

Are prepared in accordance with the instructions for Form 10-Q and do not include all of the information required by accounting principles generally accepted in the United States for complete statements, but

Include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial statements.

These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2010 Annual Report on Form 10-K.

**Business Description**

We design, manufacture, and market a portfolio of cable, connectivity, and networking products in markets including industrial, enterprise, broadcast, and consumer electronics. Our products provide for the transmission of signals for data, sound, and video applications.

**Reporting Periods**

Our fiscal year and fiscal fourth quarter both end on December 31. Our fiscal first quarter ends on the Sunday falling closest to 91 days after December 31, which was April 3, 2011, the 93rd day of our fiscal year 2011. Our fiscal second and third quarters each have 91 days. The three months ended April 4, 2010 included 94 days.

**Reclassifications**

We have made certain reclassifications to the 2010 Consolidated Financial Statements with no impact to reported net income in order to conform to the 2011 presentation, including reclassifications associated with a discontinued operation.

**Fair Value Measurement**

Accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

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Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets, or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of and during the three months ended April 3, 2011 and April 4, 2010, we utilized Level 1 inputs to determine the fair value of cash equivalents.

**Cash and Cash Equivalents**

We classify cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. We periodically have cash equivalents consisting of short-term money market funds and other investments. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations. We do not enter into investments for trading or speculative purposes. The fair value of these cash equivalents as of April 3, 2011 was \$73.6 million and is based on quoted market prices in active markets (i.e., Level 1 valuation).

**Contingent Liabilities**

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable. We accrue environmental remediation costs based on estimates of known environmental remediation exposures developed in consultation with our environmental consultants and legal counsel. We are, from time to time, subject to routine litigation incidental to our business. These lawsuits primarily involve claims for damages arising out of the use of our products, allegations of patent or trademark infringement, and litigation and administrative proceedings involving employment matters and commercial disputes. Based on facts currently available, we believe the disposition of the claims that are pending or asserted will not have a materially adverse effect on our financial position, results of operations or cash flow.

As of April 3, 2011, we were party to standby letters of credit, bank guaranties, and surety bonds totaling \$10.7 million, \$6.4 million, and \$1.7 million, respectively.

**Revenue Recognition**

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectibility is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer's purchase order or sales agreement. We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We record revisions to these estimates in the period in which the facts that give rise to each revision become known.

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**Discontinued Operations**

On December 16, 2010, we completed the sale of Trapeze Networks, Inc. (Trapeze). The Trapeze operations comprised the entirety of the former Wireless segment. For the three months ended April 4, 2010, we recognized a loss of \$3.2 million (\$2.5 million net of tax) related to the Trapeze operations, which is included in discontinued operations.

During 2005, we completed the sale of our discontinued communications cable operation in Phoenix, Arizona. In connection with this sale and related tax deductions, we established a reserve for uncertain tax positions. In each of the three months ended April 3, 2011, and April 4, 2010 we recognized \$0.2 million of interest expense (\$0.1 million net of tax) related to the uncertain tax positions, which is included in discontinued operations.

**Subsequent Events**

We have evaluated subsequent events after the balance sheet date through the financial statement issuance date for appropriate accounting and disclosure. See Note 11.

**Note 2: Acquisitions**

We acquired ICM Corp. (ICM) for cash of \$21.9 million on January 7, 2011. ICM is a broadcast connectivity product manufacturer located in Denver, Colorado. ICM's strong brands and technology enhance our broadcast portfolio of products. The results of ICM have been included in our Consolidated Financial Statements from January 7, 2011, and are reported within the Americas segment. The ICM acquisition was not material to our financial position or results of operations reported as of and for the three months ended April 3, 2011.

We acquired Poliron Cabos Electricos Especiais Ltda (Poliron) on April 1, 2011. Poliron is an industrial cable manufacturer located in Sao Paulo, Brazil. The acquisition of Poliron expands our presence in emerging markets. The \$29.2 million cash purchase price was paid on April 4, 2011, during our fiscal second quarter. As of April 3, 2011, the accrued liabilities balance includes a liability for the purchase price. The results of Poliron have been included in our Consolidated Financial Statements from April 1, 2011, and are reported within the Americas segment. The Poliron acquisition was not material to our financial position or results of operations reported as of and for the three months ended April 3, 2011.

**Note 3: Operating Segments**

We have organized the enterprise around geographic areas. We conduct our operations through three reported operating segments Americas; Europe, Middle East and Africa (EMEA); and Asia Pacific. A fourth operating segment, Wireless, has been eliminated as a result of the disposition of Trapeze and reporting it as a discontinued operation. Beginning on January 1, 2011, we allocated corporate expenses to the segments for purposes of measuring segment operating income. Corporate expenses were allocated on the basis of each segment's relative operating income prior to the allocation. The prior period presentation has been modified accordingly.

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	Americas	EMEA (In thousands)	Asia Pacific	Total Segments
<b>For the three months ended April 3, 2011</b>				
External customer revenues	\$276,998	\$103,690	\$80,940	\$461,628
Affiliate revenues	12,068	22,666	101	34,835
Operating income	31,572	17,098	6,373	55,043

**For the three months ended April 4, 2010**

External customer revenues	\$217,929	\$90,550	\$75,945	\$384,424
Affiliate revenues	12,737	14,743		27,480
Operating income	23,788	11,061	5,710	40,559

The following table is a reconciliation of the total of the reportable segments' operating income to consolidated income from continuing operations before taxes.

	<b>Three Months Ended</b>	
	<b>April 3, 2011</b>	<b>April 4, 2010</b>
	<b>(In thousands)</b>	
Segment operating income	\$55,043	\$40,559
Eliminations	(12,970)	(9,264)
Total operating income	42,073	31,295
Interest expense	(11,808)	(12,946)
Interest income	159	182
Income from continuing operations before taxes	\$30,424	\$18,531

Revenues by major product group were as follows:

	<b>Three Months Ended</b>	
	<b>April 3, 2011</b>	<b>April 4, 2010</b>
	<b>(In thousands)</b>	
Cable products	\$319,128	\$291,311
Networking products	71,255	49,258
Connectivity products	71,245	43,855
Total revenues	\$461,628	\$384,424

The main categories of cable products are (1) copper cables, including shielded and unshielded twisted pair cables, coaxial cables, and stranded cables, (2) fiber optic cables, which transmit light signals through glass or plastic fibers, and (3) composite cables, which are combinations of multiconductor, coaxial, and fiber optic cables jacketed together or otherwise joined together to serve complex applications and provide ease of installation. Connectivity products include both fiber and copper connectors for the enterprise, broadcast, and industrial markets. Connectors are also sold as part of end-to-end structured cabling solutions. Networking products include Industrial Ethernet switches and related equipment, fiber optic interfaces and media converters used to bridge fieldbus networks over long distances, and load-moment indicators for mobile cranes and other load-bearing equipment.



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The following table presents the basis for the income per share computations:

	<b>Three Months Ended</b>	
	<b>April 3, 2011</b>	<b>April 4, 2010</b>
	<b>(in thousands)</b>	
Numerator:		
Income from continuing operations	\$ 22,018	\$ 14,330
Loss from discontinued operations, net of tax	(128)	(2,583)
Net income	\$ 21,890	\$ 11,747
Denominator:		
Weighted average shares outstanding, basic	47,209	46,697
Effect of dilutive common stock equivalents	1,121	813
Weighted average shares outstanding, diluted	48,330	47,510

For the three months ended April 3, 2011 and April 4, 2010, diluted weighted average shares outstanding do not include outstanding equity awards of 0.4 million and 1.2 million, respectively, because to do so would have been anti-dilutive.

**Note 5: Inventories**

The major classes of inventories were as follows:

	<b>April 3, 2011</b>	<b>December 31, 2010</b>
	<b>(In thousands)</b>	
Raw materials	\$ 72,222	\$ 64,146
Work-in-process	45,958	42,193
Finished goods	109,698	87,982
Perishable tooling and supplies	3,239	3,615
Gross inventories	231,117	197,936
Obsolescence and other reserves	(23,037)	(22,277)
Net inventories	\$ 208,080	\$ 175,659

**Note 6: Long-Lived Assets****Disposals**

During the three months ended April 3, 2011, we sold certain real estate of the Americas segment for \$1.1 million. There was no gain or loss recognized on the sale.

During the three months ended April 4, 2010, we sold certain real estate of the EMEA segment for \$1.8 million. There was no gain or loss recognized on the sale.



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**Depreciation and Amortization Expense**

We recognized depreciation expense in income from continuing operations of \$9.2 million and \$10.2 million in the three months ended April 3, 2011 and April 4, 2010, respectively.

We recognized amortization expense in income from continuing operations related to our intangible assets of \$3.7 million and \$2.7 million in the three months ended April 3, 2011 and April 4, 2010, respectively.

**Note 7: Long-Term Debt and Other Borrowing Arrangements**

**Senior Subordinated Notes**

We have outstanding \$200.0 million in senior subordinated notes due 2019 with a coupon interest rate of 9.25% and an effective interest rate of 9.75%. The notes are guaranteed on a senior subordinated basis by certain of our domestic subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2017 and with any future senior subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our senior secured credit facility. Interest is payable semiannually on June 15 and December 15. As of April 3, 2011, the carrying value of the notes was \$201.1 million.

We also have outstanding \$350.0 million aggregate principal amount of 7.0% senior subordinated notes due 2017. The notes are guaranteed on a senior subordinated basis by certain of our domestic subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2019 and with any future senior subordinated debt; they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our senior secured credit facility. Interest is payable semiannually on March 15 and September 15.

**Senior Secured Credit Facility**

In January 2011, the size of the senior secured credit facility reduced from \$250.0 million to \$230.0 million. As of April 3, 2011, we were in compliance with all of the covenants of the facility.

As of April 3, 2011, there were not any outstanding borrowings under the facility, and we had \$219.3 million in available borrowing capacity. The facility has a variable interest rate based on LIBOR or the prime rate and is secured by our overall cash flow and certain of our assets in the United States. The facility was scheduled to mature in January 2013.

See Note 11 for a discussion of the refinancing of the senior secured credit facility subsequent to April 3, 2011.

**Fair Value of Long-Term Debt**

The fair value of our debt instruments at April 3, 2011 was approximately \$581.3 million based on sales prices of the debt instruments from recent trading activity. This amount represents the fair value of our senior subordinated notes with a face value of \$550.0 million.

**Note 8: Income Taxes**

Income tax expense was \$8.4 million for the three months ended April 3, 2011. The most significant factor in the difference between the effective tax rate of 27.6% reflected in the provision for income taxes

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on income from continuing operations before taxes and the amount determined by applying the applicable statutory United States tax rate of 35% for the three months ended April 3, 2011 is the tax rate differential associated with our foreign earnings.

**Note 9: Pension and Other Postretirement Obligations**

The following table provides the components of net periodic benefit costs for our pension plans:

<b>Three Months Ended</b>	<b>Pension Obligations</b>		<b>Other Postretirement Obligations</b>	
	<b>April 3, 2011</b>	<b>April 4, 2010</b>	<b>April 3, 2011</b>	<b>April 4, 2010</b>
	<b>(In thousands)</b>			
Service cost	\$ 1,349	\$ 1,860	\$ 40	\$ 25
Interest cost	2,811	4,226	681	626
Expected return on plan assets	(2,860)	(4,324)		
Amortization of prior service cost	(36)	16	(60)	(53)
Net loss recognition	1,543	944	119	58