WESCO INTERNATIONAL INC
Form 10-Q
May 06, 2014
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended March 31, 2014
or	
o	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	
Suite 700	(412) 454-2200
Pittsburgh, Pennsylvania	(Registrant's telephone number, including area code)
(Address of principal executive offices)	

N/A
(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 þ No o

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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of May 5, 2014, WESCO International, Inc. had 44,440,840 shares of common stock outstanding.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q

Table of Contents

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

Amounts in thousands, except share data	March 31, 2014	December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	$96,356	$123,725
Trade accounts receivable, net of allowance for doubtful accounts of $19,682 and $19,309 in 2014 and 2013, respectively	1,105,297	1,045,054
Other accounts receivable	106,960	130,043
Inventories, net	811,095	787,324
Prepaid expenses and other current assets	140,191	119,469
Total current assets	2,259,899	2,205,615
Property, buildings and equipment, net of accumulated depreciation of $218,743 and $213,758 in 2014 and 2013, respectively	195,263	198,654
Intangible assets, net	449,180	439,167
Goodwill	1,752,112	1,734,391
Other assets	54,615	71,066
Total assets	$4,711,069	$4,648,893
Liabilities and Stockholders’ Equity		
Current Liabilities:		
Accounts payable	$781,819	$735,097
Accrued payroll and benefit costs	39,741	56,548
Short-term debt	42,722	37,551
Current portion of long-term debt	2,458	2,510
Other current liabilities	219,432	219,957
Total current liabilities	1,086,172	1,051,663
Long-term debt, net of discount of $173,611 and $174,686 in 2014 and 2013, respectively	1,457,586	1,447,634
Deferred income taxes	350,870	341,334
Other noncurrent liabilities	42,882	43,471
Total liabilities	$2,937,510	$2,884,102
Commitments and contingencies (Note 8)		
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, 58,322,074 and 58,107,304 shares issued and 44,432,109 and 44,267,460 shares outstanding in 2014 and 2013, respectively	583	581
Class B nonvoting convertible common stock, $.01 par value; 20,000,000 shares authorized, 4,339,431 issued and no shares outstanding in 2014 and 2013, respectively	43	43
Additional capital	1,090,627	1,082,772
Retained earnings	1,419,919	1,368,386
Treasury stock, at cost; 18,229,729 and 18,179,275 shares in 2014 and 2013, respectively	(614,502)	(610,430)
Accumulated other comprehensive income	(123,043)	(76,543)
Total WESCO International stockholders' equity	1,773,627	1,764,809

Noncontrolling interest	(68)	(18)
Total stockholders’ equity	1,773,559	1,764,791
Total liabilities and stockholders’ equity	$4,711,069	$4,648,893

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
(unaudited)

	Three Months Ended March 31,	
Amounts in thousands, except share data	2014	2013
Net sales	$1,810,825	$1,808,059
Cost of goods sold (excluding depreciation and amortization below)	1,436,032	1,426,979
Selling, general and administrative expenses	265,462	227,456
Depreciation and amortization	16,372	16,717
Income from operations	92,959	136,907
Interest expense, net	20,688	21,926
Income before income taxes	72,271	114,981
Provision for income taxes	20,416	30,887
Net income	51,855	84,094
Less: Net (loss) income attributable to noncontrolling interest	(50)	105
Net income attributable to WESCO International, Inc.	$51,905	$83,989
Comprehensive income:		
Foreign currency translation adjustment	(46,500)	(23,481)
Comprehensive income attributable to WESCO International, Inc.	$5,405	$60,508
Earnings per share attributable to WESCO International, Inc.		
Basic	$1.17	$1.91
Diluted	$0.97	$1.60

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,	
Amounts in thousands	2014	2013
Operating Activities:		
Net income	$51,855	$84,094
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,372	16,717
Deferred income taxes	7,864	20,093
Other operating activities, net	2,202	2,831
Changes in assets and liabilities:		
Trade receivables, net	(55,285)	(61,816)
Other accounts receivable	22,868	(12,456)
Inventories, net	(17,373)	(2,441)
Prepaid expenses and other current assets	(19,668)	30,160
Accounts payable	43,604	41,764
Accrued payroll and benefit costs	(16,854)	(22,291)
Other current and noncurrent liabilities	11,128	(16,262)
Net cash provided by operating activities	46,713	80,393
Investing Activities:		
Acquisition payments, net of cash acquired	(91,187)	—
Capital expenditures	(5,012)	(5,974)
Other investing activities	39	4,944
Net cash used in investing activities	(96,160)	(1,030)
Financing Activities:		
Proceeds from issuance of short-term debt	18,503	6,880
Repayments of short-term debt	(13,211)	(1,305)
Proceeds from issuance of long-term debt	404,922	275,135
Repayments of long-term debt	(390,232)	(332,251)
Other financing activities, net	3,557	2,471
Net cash provided by (used in) financing activities	23,539	(49,070)
Effect of exchange rate changes on cash and cash equivalents	(1,461)	399
Net change in cash and cash equivalents	(27,369)	30,692
Cash and cash equivalents at the beginning of period	123,725	86,099
Cash and cash equivalents at the end of period	$96,356	$116,791

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION
WESCO International, Inc. and its subsidiaries (collectively, “WESCO” or the "Company"), headquartered in Pittsburgh, Pennsylvania, is a full-line distributor of electrical, industrial and communications maintenance, repair and operating (“MRO”) and original equipment manufactures' (“OEM”) products, construction materials, and advanced supply chain management and logistics services used primarily in the industrial, construction, utility and commercial, institutional and government markets. We serve over 75,000 active customers globally, through approximately 475 full service branches and nine distribution centers located primarily in the United States, Canada and Mexico, with offices in 15 additional countries.

2. ACCOUNTING POLICIES
Basis of Presentation
The unaudited condensed consolidated financial statements of WESCO have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (the “SEC”). The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in WESCO’s 2013 Annual Report on Form 10-K filed with the SEC. The December 31, 2013 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States.
The unaudited condensed consolidated balance sheet as of March 31, 2014, the unaudited condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2014 and 2013, respectively, and the unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2014 and 2013, respectively, in the opinion of management, have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for the fair statement of the results of the interim periods. All adjustments reflected in the unaudited condensed consolidated financial statements are of a normal recurring nature unless indicated. Results for the interim periods presented are not necessarily indicative of the results to be expected for the full year.
Revision
Certain amounts in the Company's consolidated balance sheet as of December 31, 2013, as presented herein, have been revised to appropriately present current and non-current deferred tax balances as well as current taxes refundable/payable in accordance with ASC 740. Specifically, other assets and deferred income tax liabilities each increased by $24.7 million at December 31, 2013. Additionally, prepaid expenses and other current assets increased by $7.1 million with a corresponding increase to other current liabilities of $7.1 million at December 31, 2013. The Company will also revise its consolidated balance sheet as of December 31, 2012, which is not presented herein, for the same items. Deferred income tax assets and liabilities will each increase by $16.2 million to $17.5 million and $316.7 million, respectively, at December 31, 2012. Income taxes receivable and other current liabilities will each increase by $6.0 million to $14.8 million and $140.6 million, respectively, at December 31, 2012.
Fair Value of Financial Instruments
The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820, "Fair Value Measurements and Disclosures," which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.
ASC 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:
Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for

substantially the full term of assets or liabilities.
Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

At March 31, 2014, the carrying value of WESCO's 6.0% Convertible Senior Debentures due 2029 (the "2029 Debentures") was $175.0 million and the fair value was approximately $1,027.5 million. At December 31, 2013, the carrying value of WESCO's 2029 Debentures was $174.1 million and the fair value was approximately $1,124.3 million. The fair value of WESCO's 2029 Debentures is based on quoted prices in active markets and is therefore classified as Level 1 within the valuation hierarchy. The reported carrying amounts of WESCO's other debt instruments approximate their fair values and are classified as Level 2 within the valuation hierarchy. Other debt instruments included in Level 2 are valued using a market approach, utilizing interest rates and other relevant information generated by market transactions involving similar instruments.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued updated guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This updated guidance requires entities to present unrecognized tax benefits, or a portion of unrecognized tax benefits, in the financial statements as a reduction to deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with certain exceptions. This guidance is effective for interim and annual periods beginning after December 15, 2013. WESCO adopted this guidance in 2014. Adoption of this guidance did not have a material impact on WESCO's financial position, results of operations or cash flows.

3. ACQUISITIONS

The following table sets forth the consideration paid for acquisitions:

	Three months ended March 31, 2014
(In thousands)	
Fair value of assets acquired	$104,601
Fair value of liabilities assumed	13,414
Cash paid for acquisitions	$91,187

The fair values of assets acquired and liabilities assumed were based upon preliminary calculations and valuations and our estimates and assumptions for our acquisitions are subject to change as we obtain additional information for our estimates during the respective measurement periods (up to one year from the respective acquisition dates).

2014 Acquisitions of LaPrairie, Inc. and Hazmasters, Inc.

On February 3, 2014, WESCO Distribution, Inc., through its wholly-owned Canadian subsidiary, completed the acquisition of LaPrairie, Inc. ("LaPrairie"), a wholesale distributor of electrical products that services the transmission, distribution, and substation needs of utilities and utility contractors with approximately $30 million in annual sales from a single location in Newmarket, Ontario. WESCO funded the purchase price paid at closing with cash. The purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. The preliminary fair value of intangibles was estimated by management and the allocation resulted in intangible assets of $11.3 million and goodwill of $8.6 million. Management believes the majority of goodwill will be deductible for tax purposes.

On March 17, 2014, WESCO Distribution, Inc., through its wholly-owned Canadian subsidiary, completed the acquisition of Hazmasters, Inc. ("Hazmasters"), a leading independent Canadian distributor of safety products servicing customers in the industrial, construction, commercial, institution, and government markets with approximately $80 million in annual sales from 14 branches across Canada. WESCO funded the purchase price paid at closing with cash and borrowings under the Revolving Credit Facility. The purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. The preliminary fair value of intangibles was estimated by management and the allocation resulted in intangible assets of $17.7 million and goodwill of $35.2 million which is not deductible for tax purposes.

4. STOCK-BASED COMPENSATION

WESCO's stock-based employee compensation plans are comprised of stock options, stock-settled stock appreciation rights, restricted stock units and performance-based awards. Compensation cost for all stock-based awards is measured at fair value on the date of grant, and compensation cost is recognized, net of estimated forfeitures, over the service period for awards expected to vest. The fair value of stock options and stock-settled appreciation rights is determined using the Black-Scholes valuation model. The fair value of restricted stock units is determined by the grant-date closing price of WESCO's common stock. The forfeiture assumption is based on WESCO's historical employee behavior that is reviewed on an annual basis. No dividends are assumed.

During the three months ended March 31, 2014 and 2013, WESCO granted the following stock-settled stock appreciation rights, restricted stock units and performance-based awards at the following weighted average assumptions:

	Three Months Ended March 31,	
	2014	2013
Stock-settled appreciation rights granted	272,213	246,124
Restricted stock units granted	62,506	69,393
Performance-based awards granted	44,046	48,058
Risk free interest rate	1.5 %	0.9 %
Expected life (in years)	5	5
Expected volatility	39 %	50 %

For the three months ended March 31, 2014 and 2013, the weighted average fair value per stock-settled appreciation right granted was $30.66 and $31.33, respectively. For the three months ended March 31, 2014 and 2013, the weighted average fair value per restricted stock unit granted was $85.35 and $72.15, respectively. For the three months ended March 31, 2014 and 2013, the weighted average fair value per performance-based award granted was $86.65 and $78.21, respectively.

The following table sets forth a summary of stock options and stock-settled stock appreciation rights and related information for the three months ended March 31, 2014:

	Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2013	2,715,651	$45.93		
Granted	272,213	85.35		
Exercised	(315,218)	38.18		
Forfeited	(2,255)	67.55		
Outstanding at March 31, 2014	2,670,391	50.84	6.0	$87,041
Exercisable at March 31, 2014	2,142,301	$44.31	5.2	$83,354

The following table sets forth a summary of restricted stock units and related information for the three months ended March 31, 2014:

	Awards	Weighted Average Fair Value
Unvested at December 31, 2013	184,746	$66.08
Granted	62,506	85.35
Vested	(47,431)	60.05
Forfeited	(1,230)	67.39
Unvested at March 31, 2014	198,591	$73.58

Performance shares are awards for which the vesting will occur based on market or performance conditions. The following table sets forth a summary of performance-based awards for the three months ended March 31, 2014:

	Awards	Weighted Average Fair Value
Unvested at December 31, 2013	92,484	$76.98
Granted	44,046	86.65
Vested	—	—
Forfeited	(1,536)	76.61
Unvested at March 31, 2014	134,994	$80.14

The performance-based awards in the table above include 67,497 shares in which vesting of the ultimate number of shares underlying such awards is dependent upon WESCO's total stockholder return in relation to the total stockholder return of a select group of peer companies over a three-year period. These awards are valued based upon a Monte Carlo simulation model, which is a valuation model that represents the characteristics of these grants. The probability of meeting the market criteria was considered when calculating the estimated fair market value on the date of grant. These awards are accounted for as awards with market conditions, in which compensation cost is recognized over the service period, regardless of whether the market conditions are achieved and the awards ultimately vest.

The fair value of the performance shares granted during the three months ended March 31, 2014 were estimated using the following weighted-average assumptions:

Weighted Average Assumptions	
Grant date share price	$86.65
WESCO expected volatility	35.4 %
Peer group median volatility	28.7 %
Risk-free interest rate	0.62 %
Correlation	103.1 %

Vesting of the remaining 67,497 shares of performance-based awards in the table above is dependent upon the three-year average growth rate of WESCO's net income. These awards are valued based upon the grant-date closing price of WESCO's common stock. These awards are accounted for as awards with performance conditions, in which compensation cost is recognized over the performance period based upon WESCO's determination of whether it is probable that the performance targets will be achieved.

WESCO recognized $4.2 million and $4.0 million of non-cash stock-based compensation expense, which is included in selling, general and administrative expenses, for the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014, there was $30.3 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements for all awards previously made, of which approximately $12.5 million is expected to be recognized over the remainder of 2014, $11.2 million in 2015, $5.9 million in 2016 and $0.7 million in 2017.

During the three months ended March 31, 2014 and 2013, the total intrinsic value of awards exercised was $18.4 million and $4.1 million, respectively. The total amount of cash received from the exercise of options was $0.8 million for the three months ended March 31, 2014 and less than $0.1 million for the three months ended March 31, 2013. The tax benefit associated with the exercise of awards for the three months ended March 31, 2014 and 2013 totaled $7.0 million and $0.4 million, respectively, and was recorded as an increase to additional capital.

5. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income by the weighted average common shares outstanding during the periods. Diluted earnings per share are computed by dividing net income by the weighted average common shares and common share equivalents outstanding during the periods. The dilutive effect of common share equivalents is considered in the diluted earnings per share computation using the treasury stock method, which includes consideration of stock-based compensation and convertible debt.

The following table sets forth the details of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2014	2013
Net income attributable to WESCO International, Inc.	$51,905	$83,989
Weighted average common shares outstanding used in computing basic earnings per share	44,348	44,085
Common shares issuable upon exercise of dilutive equity awards	1,099	1,099
Common shares issuable from contingently convertible debentures (see below for basis of calculation)	7,926	7,226
Weighted average common shares outstanding and common share equivalents used in computing diluted earnings per share	53,373	52,410
Earnings per share attributable to WESCO International, Inc.		
Basic	$1.17	$1.91
Diluted	$0.97	$1.60

For the three months ended March 31, 2014 and 2013, the computation of diluted earnings per share attributable to WESCO International, Inc. excluded 0.5 million stock-settled stock appreciation rights at weighted average exercise prices of $79.13 per share and $69.18 per share, respectively. These amounts were excluded because their effect would have been antidilutive.

Because of WESCO's obligation to settle the par value of the 2029 Debentures in cash upon conversion, WESCO is required to include shares underlying the 2029 Debentures in its diluted weighted average shares outstanding when the average stock price per share for the period exceeds the conversion price of the respective debentures. Only the number of shares issuable under the treasury stock method of accounting for share dilution are included, which is based upon the amount by which the average stock price exceeds the conversion price. The conversion price of the 2029 Debentures is $28.87. Share dilution is limited to a maximum of 11,948,513 shares for the 2029 Debentures. For the three months ended March 31, 2014 and 2013, the effect of the 2029 Debentures on diluted earnings per share attributable to WESCO International, Inc. was a decrease of $0.17 and $0.26, respectively.

6. EMPLOYEE BENEFIT PLANS

A majority of WESCO's employees are covered by defined contribution retirement savings plans for their services rendered subsequent to WESCO's formation. WESCO also offers a deferred compensation plan for select individuals. For U.S. participants, WESCO will make contributions in an amount equal to 50% of the participant's total monthly contributions up to a maximum of 6% of eligible compensation. For Canadian participants, WESCO will make contributions in an amount ranging from 1% to 7% of the participant's eligible compensation based on years of continuous service. In addition, employer contributions may be made at the discretion of the Board of Directors. For the three months ended March 31, 2014 and 2013, WESCO incurred charges of $4.8 million and $10.3 million, respectively, for all such plans. Contributions are made in cash to defined contribution retirement savings plans. The deferred compensation plan is an unfunded plan. Employees have the option to transfer balances allocated to their accounts in the defined contribution retirement savings plan and the deferred compensation plan into any of the available investment options. An investment option for employees in the defined contribution retirement savings plan is WESCO common stock.

In connection with the December 14, 2012 acquisition of EECOL, the Company assumed a contributory defined benefit plan covering substantially all Canadian employees of EECOL and a Supplemental Executive Retirement Plan for certain executives of EECOL. The following table reflects the components of net periodic benefit costs for the Company's defined benefit plans for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
Service cost	$900	$1,033
Interest cost	1,156	1,160
Expected return on plan assets	(1,361)	(960)
Net periodic benefit cost	$695	$1,233

During the three months ended March 31, 2014 and 2013, the Company made cash contributions of $0.8 million and $0.9 million, respectively, to its defined benefit plans.

7. COMMITMENTS AND CONTINGENCIES

As initially reported in our 2008 Annual Report on Form 10-K, WESCO is a defendant in a lawsuit filed in a state court in Indiana in which a customer, ArcelorMittal Indiana Harbor, Inc. (“AIH”), alleges that the Company sold defective products to AIH in 2004 that were supplied to the Company by others. The lawsuit sought monetary damages in the amount of approximately $50 million. On February 14, 2013, the jury returned a verdict in favor of AIH and awarded damages in the amount of approximately $36.1 million, and judgment was entered on the jury's verdict. As a result, the Company recorded a $36.1 million charge to selling, general and administrative expenses in 2012. The Company disputes this outcome and filed a post-trial motion challenging the verdict alleging various errors that occurred during trial. The Company received letters from its insurers confirming insurance coverage of the matter and recorded a receivable in the quarter ended March 31, 2013 in an amount equal to the previously recorded liability. AIH also filed a post-trial motion asking the court to award additional amounts to AIH, including prejudgment and post-judgment interest. The Court denied the Company's post-trial motion on June 28, 2013 and granted in part AIH's motion, awarding prejudgment interest in the amount of $3.9 million and ordering post-judgment interest to accrue on the entire judgment at 8% per annum. In the quarter ended June 30, 2013, the Company received letters from its insurers confirming insurance coverage of all prejudgment and post-judgment interest related to the matter. Final judgment was entered by the court on July 16, 2013, and the Company is appealing the judgment. As of March 31, 2014, the Company recorded a liability and a corresponding receivable in the amount of $7.1 million for all prejudgment and post-judgment interest accrued in connection with this matter. The judgment may increase or decrease based on the outcome of the appellate proceedings that cannot be predicted with certainty.

8. INCOME TAXES

The effective tax rate for the three months ended March 31, 2014 and 2013 was 28.2% and 26.9% respectively. WESCO’s effective tax rate is lower than the federal statutory rate of 35% primarily due to benefits resulting from the tax effect of intercompany financing and lower rates on foreign earnings, which are partially offset by nondeductible expenses and state taxes. The effective tax rate for the three months ended March 31, 2014 and March 31, 2013 reflect beneficial discrete adjustments totaling $0.1 million in each period, primarily related to changes in state tax rates and changes in uncertain tax positions. There have been no material adjustments to liabilities relating to uncertain tax positions since the last annual disclosure for the year ended December 31, 2013.

9. OTHER FINANCIAL INFORMATION

WESCO International, Inc. ("WESCO International") has outstanding $344.9 million in aggregate principal amount of 2029 Debentures. The 2029 Debentures are fully and unconditionally guaranteed by WESCO Distribution, a 100% owned subsidiary of WESCO International, on a senior subordinated basis to all existing and future senior indebtedness of WESCO Distribution.

WESCO Distribution has $500 million aggregate principal amount of 2021 Notes. The 2021 Notes are unsecured senior obligations of WESCO Distribution and are guaranteed on a senior unsecured basis by WESCO International.

Condensed consolidating financial information for WESCO International, WESCO Distribution and the non-guarantor subsidiaries is as follows:

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
(unaudited)

	March 31, 2014 (In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	$—	$47,452	$ 48,904	$—	$96,356
Trade accounts receivable, net	—	—	1,105,297	—	1,105,297
Inventories, net	—	357,462	453,633	—	811,095
Other current assets	—	161,965	130,543	(45,357)	247,151
Total current assets	—	566,879	1,738,377	(45,357)	2,259,899
Intercompany receivables, net	—	—	1,880,905	(1,880,905)	—
Property, buildings and equipment, net	—	58,064	137,199	—	195,263
Intangible assets, net	—	5,238	443,942	—	449,180
Goodwill	—	246,771	1,505,341	—	1,752,112
Investments in affiliates	3,147,129	3,717,115	—	(6,864,244)	—
Other noncurrent assets	4,291	15,013	35,311	—	54,615
Total assets	$3,151,420	$4,609,080	$ 5,741,075	$(8,790,506)	$4,711,069
Accounts payable	$—	$444,869	$ 336,950	$—	$781,819
Short-term debt	—	—	42,722	—	42,722
Other current liabilities	8,159	110,151	188,678	(45,357)	261,631
Total current liabilities	8,159	555,020	568,350	(45,357)	1,086,172
Intercompany payables, net	1,173,676	707,229	—	(1,880,905)	—
Long-term debt	174,974	675,186	607,426	—	1,457,586
Other noncurrent liabilities	20,984	229,891	142,877	—	393,752
Total WESCO International stockholders' equity	1,773,627	2,441,754	4,422,490	(6,864,244)	1,773,627
Noncontrolling interest	—	—	(68)	—	(68)
Total liabilities and stockholders’ equity	$3,151,420	$4,609,080	$ 5,741,075	$(8,790,506)	$4,711,069

11

WESCO
INTERNATIONAL,
INC. AND
SUBSIDIARIES
CONDENSED
CONSOLIDATING
BALANCE SHEETS