

NATIONAL INSTRUMENTS CORP

Form 8-K

February 16, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8 K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

February 16, 2017

National Instruments Corporation
(Exact name of registrant as specified in its charter)

| | | |
|--|--------------------------|-----------------------------------|
| Delaware | 000-25426 | 74-1871327 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

11500 North MoPac Expressway
Austin, Texas 78759
(Address of principal executive offices, including zip code)

(512) 338-9119
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On January 26, 2017, National Instruments Corporation ("NI") furnished financial information pursuant to Item 2.02 of Form 8-K (the "Form 8-K") regarding financial results for NI's fourth fiscal quarter ended December 31, 2016. Based on NI's additional analysis of its calculation for provision for income taxes for the three and twelve-month periods ended December 31, 2016, NI is furnishing in the tables below revisions to certain of the financial information included in its Form 8-K.

The additional analysis referred to above did not impact NI's financial guidance included in the Form 8-K and NI is confirming, as of the date hereof, its financial guidance previously furnished in the Form 8-K dated January 26, 2017.

The information herein shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

NI's audited financial results for the year ended December 31, 2016 will be contained in its Annual Report on Form 10-K which is expected to be filed with the Securities and Exchange Commission on or about the date hereof.

A reconciliation of the financial information previously furnished in the Form 8-K on January 26, 2017 to the revised financial information is detailed in the tables below;

National Instruments
Condensed Consolidated Balance Sheets
(in thousands)

| | December 31, 2016 (Unaudited) | | |
|---|---|--------------------------|---|
| | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 285,283 | | 285,283 |
| Short-term investments | 73,117 | | 73,117 |
| Accounts receivable, net | 228,686 | | 228,686 |
| Inventories, net | 193,608 | | 193,608 |
| Prepaid expenses and other current assets | 54,056 | (103) | 53,953 |
| Total current assets | 834,750 | (103) | 834,647 |
| Property and equipment, net | 260,456 | | 260,456 |
| Goodwill | 253,197 | | 253,197 |
| Intangible assets, net | 108,663 | | 108,663 |
| Other long-term assets | 39,601 | | 39,601 |
| Total assets | 1,496,667 | (103) | 1,496,564 |
| Liabilities and Stockholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | 48,800 | | 48,800 |
| Accrued compensation | 27,743 | | 27,743 |

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| | | | |
|--|-----------|----------|-----------|
| Deferred revenue - current | 115,577 | | 115,577 |
| Accrued expenses and other liabilities | 32,289 | 708 | 32,997 |
| Other taxes payable | 34,958 | | 34,958 |
| Total current liabilities | 259,367 | 708 | 260,075 |
| Long-term debt | 25,000 | | 25,000 |
| Deferred income taxes | 41,733 | 3,653 | 45,386 |
| Liability for uncertain tax positions | 11,719 | | 11,719 |
| Deferred revenue - long-term | 29,752 | | 29,752 |
| Other long-term liabilities | 10,413 | | 10,413 |
| Total liabilities | 377,984 | 4,361 | 382,345 |
| Stockholders' equity: | | | |
| Preferred stock | - | | - |
| Common stock | 1,292 | | 1,292 |
| Additional paid-in capital | 771,346 | | 771,346 |
| Retained earnings | 380,883 | (4,681) | 376,202 |
| Accumulated other comprehensive loss | (34,838) | 217 | (34,621) |
| Total stockholders' equity | 1,118,683 | (4,464) | 1,114,219 |
| Total liabilities and stockholders' equity | 1,496,667 | (103) | 1,496,564 |

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National Instruments
Condensed Consolidated Statements of Income
(in thousands, except per share data, unaudited)

| | Three Months Ended Dec. 31, 2016 | | Year Ended Dec. 31, 2016 | | | |
|---------------------------------------|--|--------------------------|---|--|--------------------------|---|
| | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 |
| Net sales: | | | | | | |
| Product | 300,218 | | 300,218 | 1,116,703 | | 1,116,703 |
| Software maintenance | 28,314 | | 28,314 | 111,476 | | 111,476 |
| Total net sales | 328,532 | | 328,532 | 1,228,179 | | 1,228,179 |
| Cost of sales: | | | | | | |
| Product | 81,468 | | 81,468 | 306,730 | | 306,730 |
| Software maintenance | 1,264 | | 1,264 | 6,391 | | 6,391 |
| Total cost of sales | 82,732 | | 82,732 | 313,121 | | 313,121 |
| Gross profit | 245,800 | | 245,800 | 915,058 | | 915,058 |
| Operating expenses: | | | | | | |
| Sales and marketing | 115,006 | | 115,006 | 461,236 | | 461,236 |
| Research and development | 57,461 | | 57,461 | 235,706 | | 235,706 |
| General and administrative | 24,082 | | 24,082 | 98,390 | | 98,390 |
| Total operating expenses | 196,549 | | 196,549 | 795,332 | | 795,332 |
| Operating income | 49,251 | | 49,251 | 119,726 | | 119,726 |
| Other income (expense): | | | | | | |
| Interest income | 335 | | 335 | 1,122 | | 1,122 |
| Net foreign exchange loss | (3,162) | | (3,162) | (4,632) | | (4,632) |
| Other income (expense), net | 471 | | 471 | (1,581) | | (1,581) |
| Income before income taxes | 46,895 | | 46,895 | 114,635 | | 114,635 |
| Provision for income taxes | 13,065 | 4,681 | 17,746 | 27,220 | 4,681 | 31,901 |
| Net income | 33,830 | (4,681) | 29,149 | 87,415 | (4,681) | 82,734 |
| Basic earnings per share | 0.26 | (0.03) | 0.23 | 0.68 | (0.04) | 0.64 |
| Diluted earnings per share | 0.26 | (0.03) | 0.23 | 0.68 | (0.04) | 0.64 |
| Weighted average shares outstanding - | | | | | | |
| Basic | 129,108 | | 129,108 | 128,453 | | 128,453 |
| Diluted | 129,503 | | 129,503 | 129,008 | | 129,008 |

National Instruments
Condensed Consolidated Statements of Cash Flows
(in thousands, unaudited)

| | Year Ended Dec. 31, 2016 | | |
|---|--|--------------------------|---|
| | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 |
| Cash flow from operating activities: | | | |
| Net income | 87,415 | (4,681) | 82,734 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 73,390 | - | 73,390 |
| Stock-based compensation | 25,832 | - | 25,832 |
| Tax expense/(benefit) expense from deferred income taxes | (22,751) | 17,321 | (5,430) |
| Tax benefit from stock option plans | (442) | - | (442) |
| Acquisition-related fair value adjustments | 1,585 | - | 1,585 |
| Net change in operating assets and liabilities | 30,811 | (12,640) | 18,171 |
| Net cash provided by operating activities | 195,840 | - | 195,840 |
| Cash flow from investing activities: | | | |
| Capital expenditures | (44,425) | | (44,425) |
| Capitalization of internally developed software | (31,859) | | (31,859) |
| Additions to other intangibles | (2,342) | | (2,342) |
| Acquisitions, net of cash received | (549) | | (549) |
| Purchases of short-term investments | (39,097) | | (39,097) |
| Sales and maturities of short-term investments | 47,769 | | 47,769 |
| Net cash used by investing activities | (70,503) | - | (70,503) |
| Cash flow from financing activities: | | | |
| Proceeds from revolving line of credit | 15,000 | | 15,000 |
| Principal payments on revolving line of credit | (27,000) | | (27,000) |
| Proceeds from issuance of common stock | 28,907 | | 28,907 |
| Repurchase of common stock | (5,635) | | (5,635) |
| Dividends paid | (102,897) | | (102,897) |
| Tax benefit from stock option plans | 442 | | 442 |
| Net cash used by financing activities | (91,183) | - | (91,183) |
| Net change in cash and cash equivalents | 34,154 | | 34,154 |
| Cash and cash equivalents at beginning of year | 251,129 | | 251,129 |
| Cash and cash equivalents at end of year | 285,283 | - | 285,283 |

National Instruments
 Reconciliation of GAAP to Non-GAAP Measures
 (in thousands, unaudited)

Reconciliation of Provision for income taxes to Non-GAAP Provision for
 income taxes

| | Three Months Ended Dec. 31, 2016 | | | Year Ended Dec. 31, 2016 | | |
|--|---|--------------------------|---|---|--------------------------|---|
| | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 |
| Provision for income taxes, as reported | 13,065 | 4,681 | 17,746 | 27,220 | 4,681 | 31,901 |
| Stock-based compensation | 1,125 | - | 1,125 | 7,322 | - | 7,322 |
| Amortization of acquisition intangibles | (855) | - | (855) | (2,162) | - | (2,162) |
| Acquisition transaction costs, restructuring charges, and other | 94 | - | 94 | 1,452 | - | 1,452 |
| Acquisition-related fair value adjustments | 567 | - | 567 | 567 | - | 567 |
| Non-GAAP provision for income taxes | 13,996 | 4,681 | 18,677 | 34,399 | 4,681 | 39,080 |

Reconciliation of GAAP Net Income, Basic EPS and Diluted EPS to Non-GAAP Net Income, Non-GAAP Basic EPS and Non-GAAP Diluted EPS

(in thousands, except per share data, unaudited)

| | Three Months Ended Dec. 31, 2016 | | Year Ended Dec. 31, 2016 | | | |
|--|--|--------------------------|---|--|--------------------------|---|
| | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 |
| Net income, as reported | 33,830 | (4,681) | 29,149 | 87,415 | (4,681) | 82,734 |
| Adjustments to reconcile net income to non-GAAP net income: | | | | | | |
| Stock-based compensation, net of tax effect | 5,069 | - | 5,069 | 18,444 | - | 18,444 |
| Amortization of acquisition intangibles, net of tax effect | 3,350 | - | 3,350 | 15,234 | - | 15,234 |
| Acquisition transaction costs, restructuring, and other, net of tax effect | 242 | - | 242 | 2,812 | - | 2,812 |
| Acquisition-related fair value adjustments, net of tax effect | 1,018 | - | 1,018 | 1,018 | - | 1,018 |
| Non-GAAP net income | 43,509 | (4,681) | 38,828 | 124,923 | (4,681) | 120,242 |
| Basic EPS, as reported | 0.26 | (0.03) | 0.23 | 0.68 | (0.04) | 0.64 |
| Adjustment to reconcile basic EPS to non-GAAP basic EPS: | | | | | | |
| Impact of stock-based compensation, net of tax effect | 0.04 | (0.01) | 0.03 | 0.14 | - | 0.14 |
| Impact of amortization of acquisition intangibles, net of tax effect | 0.03 | - | 0.03 | 0.12 | - | 0.12 |
| Impact of acquisition transaction costs, restructuring, and other, net of tax effect | - | - | - | 0.02 | - | 0.02 |
| Impact of acquisition-related fair value adjustments, net of tax effect | 0.01 | - | 0.01 | 0.01 | - | 0.01 |
| Non-GAAP basic EPS | 0.34 | (0.04) | 0.30 | 0.97 | (0.04) | 0.93 |
| Diluted EPS, as reported | 0.26 | (0.03) | 0.23 | 0.68 | (0.04) | 0.64 |
| Adjustment to reconcile diluted EPS to non-GAAP diluted EPS | | | | | | |
| Impact of stock-based compensation, net of tax effect | 0.04 | (0.01) | 0.03 | 0.14 | - | 0.14 |
| Impact of amortization of acquisition intangibles, net of tax effect | 0.03 | - | 0.03 | 0.12 | - | 0.12 |
| Impact of acquisition transaction costs, restructuring, and other, net of tax effect | - | - | - | 0.02 | - | 0.02 |
| Impact of acquisition-related fair value adjustments, net of tax effect | 0.01 | - | 0.01 | 0.01 | - | 0.01 |
| Non-GAAP diluted EPS | 0.34 | (0.04) | 0.30 | 0.97 | (0.04) | 0.93 |

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Weighted average shares outstanding -

| | | | | | | |
|---------|---------|---|---------|---------|---|---------|
| Basic | 129,108 | - | 129,108 | 128,453 | - | 128,453 |
| Diluted | 129,503 | - | 129,503 | 129,008 | - | 129,008 |

National Instruments
 Reconciliation of Net Income to EBITDA
 (in thousands, unaudited)

| | Three Months Ended Dec. 31, 2016 | | Year Ended Dec. 31, 2016 | | | |
|--|--|--------------------------|---|--|----------|--------------------------|
| | As furnished on January 26, 2017 | Impact of revision | As furnished on February 16, 2017 | As furnished on January 26, 2017 | | Impact of revision |
| Net income, as reported | 33,830 | (4,681) | 29,149 | 87,415 | (4,681) | 82,734 |
| Adjustments to reconcile net income to EBITDA: | | - | | | - | |
| Interest income, net | (155) | - | (155) | (349) | - | (349) |
| Tax expense | 13,065 | 4,681 | 17,746 | 27,220 | 4,681 | 31,901 |
| Depreciation and amortization | 18,226 | - | 18,226 | 73,390 | - | 73,390 |
| EBITDA | 64,966 | - | 64,966 | 187,676 | - | 187,676 |
| Weighted average shares outstanding - Diluted | 129,503 | - | 129,503 | 129,008 | - | 129,008 |

Non-GAAP Presentation

In addition to disclosing results determined in accordance with GAAP, NI discloses certain non-GAAP operating results and non-GAAP information that exclude certain charges. In this Current Report on Form 8-K, NI has presented its provision for income taxes, net income and basic and fully diluted EPS for the three- and twelve-month periods ending Dec. 31, 2016 on a GAAP and non-GAAP basis.

When presenting non-GAAP information, NI includes a reconciliation of the non-GAAP results to the GAAP results. NI believes that including the non-GAAP results assists investors in assessing the company's operational performance and its performance relative to its competitors. NI presents these non-GAAP results as a complement to results provided in accordance with GAAP, and these results should not be regarded as a substitute for GAAP. NI uses these non-GAAP measures to manage and assess the profitability and performance of its business and does not consider stock-based compensation expense, amortization of acquisition-related intangibles, acquisition-related transaction costs, taxes levied on the transfer of acquired intellectual property, foreign exchange loss on acquisitions, acquisition-related fair value adjustments, and restructuring charges in managing its operations. Specifically, NI uses non-GAAP measures to plan and forecast future periods; to establish operational goals; to compare with its business plan and individual operating budgets; to measure management performance for the purposes of executive compensation, including payments to be made under bonus plans; to assist the public in measuring the company's performance relative to the company's long-term public performance goals; to allocate resources; and, relative to the company's historical financial performance, to enable comparability between periods. NI also considers such non-GAAP results to be an important supplemental measure of its performance.

This Current Report on Form 8-K discloses NI's EBITDA for the three- and twelve- month periods ending Dec. 31, 2016. NI believes that including the EBITDA results assists investors in assessing the company's operational performance relative to its competitors. A reconciliation of EBITDA to GAAP net income is included with this Current Report on Form 8-K.

Forward-Looking Statements

The foregoing statement whereby NI is confirming, as of the date hereof, its financial guidance previously furnished in the Form 8-K dated January 26, 2017 is a "forward-looking statement" that is subject to a number of risks and uncertainties, including the risk of adverse changes or fluctuations in the global economy, foreign exchange fluctuations, fluctuations in demand for NI's products including orders from its largest customer, component

shortages, delays in the release of new products, NI's ability to effectively manage its operating expenses, manufacturing inefficiencies and the level of capacity utilization, the impact of any recent or future acquisitions, expense overruns, adverse effects of price changes or effective tax rates. Actual results may differ materially from the expected results. NI directs readers to its Form 10-K for the year ended Dec. 31, 2015, its Form 10-Q for the quarter ended Sept. 30, 2016; and the other documents it files with the SEC for other risks associated with the company's future performance.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NATIONAL
INSTRUMENTS
CORPORATION

By: /s/ DAVID G. HUGLEY
David G. Hugley
Vice President & General
Counsel; Secretary

Date: February 16, 2017