

COGNEX CORP  
Form 10-Q  
April 30, 2014

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 March 30, 2014 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 001-34218

COGNEX CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of  
incorporation or organization)

04-2713778

(I.R.S. Employer  
Identification No.)

One Vision Drive  
Natick, Massachusetts 01760-2059  
(508) 650-3000  
(Address, including zip code, and telephone  
number, including area code, of principal  
executive offices)

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 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, 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

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 March 30, 2014, there were 86,840,001 shares of Common Stock, \$.002 par value per share, of the registrant outstanding.

## INDEX

## PART I FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements (interim periods unaudited)</u>	<u>3</u>
	<u>Consolidated Statements of Operations for the three-month periods ended March 30, 2014 and March 31, 2013</u>	<u>3</u>
	<u>Consolidated Statements of Comprehensive Income for the three-month periods ended March 30, 2014 and March 31, 2013</u>	<u>4</u>
	<u>Consolidated Balance Sheets as of March 30, 2014 and December 31, 2013</u>	<u>5</u>
	<u>Consolidated Condensed Statements of Cash Flows for the three-month periods ended March 30, 2014 and March 31, 2013</u>	<u>6</u>
	<u>Consolidated Statement of Shareholders' Equity for the three-month period ended March 30, 2014</u>	<u>7</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>24</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>24</u>
<u>PART II OTHER INFORMATION</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>25</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>25</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>26</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>26</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>26</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>26</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>27</u>
	<u>Signatures</u>	<u>28</u>

Table of Contents

COGNEX CORPORATION  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In thousands, except per share amounts)

	Three-months Ended	
	March 30, 2014	March 31, 2013
	(unaudited)	
Revenue		
Product	\$83,569	\$74,672
Service	7,360	6,220
	90,929	80,892
Cost of revenue		
Product	17,286	16,464
Service	3,798	2,959
	21,084	19,423
Gross margin		
Product	66,283	58,208
Service	3,562	3,261
	69,845	61,469
Research, development, and engineering expenses	12,502	11,321
Selling, general, and administrative expenses	34,900	32,167
Operating income	22,443	17,981
Foreign currency gain (loss)	(110)	) 63
Investment income	787	392
Other income (expense)	(273)	) 117
Income before income tax expense	22,847	18,553
Income tax expense	4,341	2,970
Net income	\$18,506	\$15,583
Earnings per weighted-average common and common-equivalent share		
(1):		
Basic	\$0.21	\$0.18
Diluted	\$0.21	\$0.18
Weighted-average common and common-equivalent shares outstanding		
(1):		
Basic	86,879	86,522
Diluted	89,259	88,260

(1) Prior period results have been adjusted to reflect the two-for-one stock split effected in the form of a stock dividend which occurred in the third quarter of 2013.

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

Table of Contents

COGNEX CORPORATION  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in thousands)

	Three-months Ended	
	March 30, 2014	March 31, 2013
	(unaudited)	
Net income	\$ 18,506	\$ 15,583
Other comprehensive income (loss), net of tax:		
Cash flow hedges:		
Change in net unrealized gain (loss), net of tax of (\$16) and \$0 in 2014 and 2013, respectively	(166	) —
Reclassification adjustments for loss (gain) included in net income	33	—
Net change related to cash flow hedges	(199	) —
Available-for-sale investments:		
Change in net unrealized gain (loss), net of tax of \$113 and \$42 in 2014 and 2013, respectively	518	142
Reclassification adjustments for loss (gain) included in net income	(501	) (31
Net change related to available-for-sale investments	1,019	173
Currency translation adjustments:		
Change in currency translation adjustments, net of tax of \$7 and (\$227) in 2014 and 2013, respectively	445	(2,494
Net change related to currency translation adjustments	445	(2,494
Other comprehensive income (loss), net of tax	1,265	(2,321
Total comprehensive income	\$ 19,771	)