AEROFLEX HOLDING CORP.
Form 10-Q
November 07, 2013

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 September 30, 2013
Commission File Number 001-34974

AEROFLEX HOLDING CORP.

(Exact name of Registrant as specified in its Charter)

DELAWARE	**01-0899019**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
35 South Service Road P.O. Box 6022 Plainview, N.Y.	**11803-0622**
(Address of principal executive offices)	*(Zip Code)*

(516) 694-6700
(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 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 x 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 x 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 x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

November 6, 2013	84,942,690
(Date)	*(Number of Shares)*

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Aeroflex Holding Corp. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	September 30, 2013	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 62,793	$ 39,424
Accounts receivable, less allowance for doubtful accounts of $3,379 and $3,422	119,320	151,163
Inventories	171,782	156,516
Deferred income taxes	35,509	35,491
Prepaid expenses and other current assets	12,826	9,374
Total current assets	402,230	391,968
Property, plant and equipment, net of accumulated depreciation of $118,014 and $122,479	101,890	101,546
Deferred financing costs, net	11,152	11,580
Other assets	31,541	31,886
Intangible assets with definite lives, net	55,683	65,552
Intangible assets with indefinite lives	112,373	110,779
Goodwill	316,155	315,643
Total assets	$ 1,031,024	$ 1,028,954
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 35,209	$ 34,768
Advance payments by customers and deferred revenue	22,762	23,490
Income taxes payable	401	12,003
Accrued payroll expenses	22,002	21,694
Accrued expenses and other current liabilities	33,568	37,184
Total current liabilities	113,942	129,139
Long-term debt	587,000	587,000
Deferred income taxes	64,970	67,296
Other long-term liabilities	21,378	23,061
Total liabilities	787,290	806,496
Stockholders' equity:		
Preferred stock, par value $.01 per share; 50,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, par value $.01 per share; 300,000,000 shares authorized, 84,942,690 and 84,936,582 shares issued and outstanding	849	849
Additional paid-in capital	652,144	651,950
Accumulated other comprehensive income (loss)	(32,831)	(43,406)
Accumulated deficit	(376,428)	(386,935)
Total stockholders' equity	243,734	222,458
Total liabilities and stockholders' equity	$ 1,031,024	$ 1,028,954

See notes to unaudited condensed consolidated financial statements.

Aeroflex Holding Corp. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended September 30, 2013		2012	
Net sales	$	132,732	$	137,635
Cost of sales		66,914		69,413
Gross profit		65,818		68,222
Operating expenses:				
Selling, general and administrative costs		33,168		35,520
Research and development costs		21,485		20,878
Amortization of acquired intangibles		10,518		14,580
Restructuring charges		684		3,267
Total operating expenses		65,855		74,245
Operating income (loss)		(37)		(6,023)
Other income (expense):				
Interest expense		(7,252)		(10,078)
Write-off of deferred financing costs		-		(597)
Other income (expense), net		(51)		(289)
Total other income (expense), net		(7,303)		(10,964)
Income (loss) from continuing operations before income taxes		(7,340)		(16,987)
Provision (benefit) for income taxes		(3,385)		(2,471)
Income (loss) from continuing operations		(3,955)		(14,516)
Discontinued operations:				
Income from discontinued operations, net of tax provision of $105 and $117		360		377
Gain on disposal of operations, net of tax of $0		14,102		-
Income from discontinued operations		14,462		377
Net income (loss)	$	10,507	$	(14,139)
Income (loss) per common share - basic and diluted:				
Continuing operations	$	(0.05)	$	(0.17)
Discontinued operations		0.17		-
Net income (loss)	$	0.12	$	(0.17)
Weighted average number of common shares outstanding:				
Basic and diluted		84,916		84,836

See notes to unaudited condensed consolidated financial statements.

Aeroflex Holding Corp. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Three Months Ended September 30, 2013		2012	
Net income (loss)	$	10,507	$	(14,139)
Other comprehensive income (loss):				
Minimum pension liability adjustment, net of tax provision (benefit) of $21 and $0		25		-
Foreign currency translation adjustment, net of tax provision (benefit) of $410 and $192		10,550		5,477
		10,575		5,477
Total comprehensive income (loss)	$	21,082	$	(8,662)

See notes to unaudited condensed consolidated financial statements.

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Aeroflex Holding Corp. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)

	Three Months Ended September 30, 2013	2012
Cash flows from operating activities:		
Net income (loss)	$ 10,507	$ (14,139)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,449	20,123
Gain on disposal of operations	(14,102)	-
Write-off of deferred financing costs	-	597
Deferred income taxes	(3,341)	(2,629)
Share-based compensation	882	636
Amortization of deferred financing costs	428	554
Other, net	(14)	511
Change in operating assets and liabilities, net of effects from sale of business:		
Decrease (increase) in accounts receivable	29,457	33,023
Decrease (increase) in inventories	(14,572)	94
Decrease (increase) in prepaid expenses and other assets	(1,904)	(1,438)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(16,054)	(5,338)
Net cash provided by (used in) operating activities	7,736	31,994
Cash flows from investing activities:		
Net proceeds from the sale of business	18,389	-
Capital expenditures	(5,307)	(4,087)
Other, net	115	248
Net cash provided by (used in) investing activities	13,197	(3,839)
Cash flows from financing activities:		
Debt repayments	-	(25,000)
Other, net	(901)	(21)
Net cash provided by (used in) financing activities	(901)	(25,021)
Effect of exchange rate changes on cash and cash equivalents	3,337	777
Net increase (decrease) in cash and cash equivalents	23,369	3,911
Cash and cash equivalents at beginning of period	39,424	41,324
Cash and cash equivalents at end of period	$ 62,793	$ 45,235

See notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial information of Aeroflex Holding Corp. and subsidiaries ("we", "our", "us", or the "Company") has been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and the rules and regulations of the United States Securities and Exchange Commission ("SEC"), and reflects all adjustments, consisting of normal recurring adjustments, which in management's opinion are necessary for a fair presentation. The June 30, 2013 balance sheet information has been derived from audited financial statements, but does not include all information or disclosures required by U.S. GAAP.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of sales and expenses during the reporting period. Actual results may differ from those estimates, and such differences may be material to the financial statements.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended June 30, 2013 ("the fiscal 2013 Form 10-K").

Unless the context requires otherwise, "fiscal" refers to the twelve months ended June 30 of the applicable year. For example, "fiscal 2013" refers to the twelve months ended June 30, 2013.

Results of operations for interim periods are not necessarily indicative of results to be expected for the full fiscal year or any future periods.

2. Recent Accounting Pronouncements

In February 2013, the FASB issued guidance which improves the reporting of reclassifications out of accumulated other comprehensive income. The new guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety from accumulated other comprehensive income to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This new guidance became effective for us in our first quarter of fiscal 2014. The adoption of this presentation and disclosure only guidance is reflected in our consolidated financial statements.

In March 2013, the FASB issued authoritative guidance to resolve the diversity in practice concerning the release of the cumulative translation adjustment ("CTA") into net income (i) when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity, and (ii) in connection with a step acquisition of a foreign entity. This amended guidance requires that CTA be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided, and that a pro rata portion of the CTA be released into net income upon a partial sale of an equity method investment in a foreign entity only. In addition, the amended guidance clarifies the definition of a sale of an investment in a foreign entity to include both events that result in the loss of a controlling financial interest in a foreign entity and events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately prior to the date of acquisition. The CTA should be released into net income upon the occurrence of such events. This new guidance becomes effective prospectively for us in our first quarter of fiscal 2015. The adoption of this new guidance is not expected to have a significant impact on our consolidated financial statements

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In July 2013, the FASB issued guidance that clarifies when an entity should present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. If either (i) a net operating loss carryforward, a similar tax loss, or tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position or (ii) the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice), an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. This new guidance becomes effective prospectively for us in our first quarter of fiscal 2015, with retrospective application and early adoption permitted. We are currently evaluating the impact of this presentation and disclosure only guidance, but we do not expect it to have a significant impact our consolidated financial statements.

3. Discontinued Operations

On September 5, 2013, we sold the net assets of Aeroflex Test Equipment Services ("ATES"), a division of our U.K. subsidiary, Aeroflex Limited, for $18.4 million in cash. The consideration is subject to a working capital adjustment, based on the amount by which the final working capital at the date of closing differs from the target set forth in the purchase agreement. ATES provided calibration and repair services of non-Aeroflex test and measurement equipment in the United Kingdom and was previously included in our ATS segment. As a result of this sale, we recorded a gain on disposal of $14.1 million. The gain is not subject to U.K. taxes.

We have reported the results of operations of ATES as income from discontinued operations. The prior period statement of operations has been restated to conform to the current presentation. Net sales from the ATES operations were $2.4 million from July 1, 2013 to the date of sale and $3.5 million for the three months ended September 30, 2012.

4. Inventories

Inventories consisted of the following:

	September 30, 2013	June 30, 2013
	(In thousands)	
Raw materials	$ 84,114	$ 76,762
Work in process	56,353	52,221
Finished goods	31,315	27,533
	$ 171,782	$ 156,516

5. Intangible Assets

The components of amortizable intangible assets were as follows:

	September 30, 2013			June 30, 2013		
	Gross Carrying Amount (In thousands)	Accumulated Amortization	Total Net Book Value	Gross Carrying Amount	Accumulated Amortization	Total Net Book Value
Developed technology	$ 203,594	$ 198,228	$ 5,366	$ 201,447	$ 192,574	$ 8,873
Customer related intangibles	227,529	178,633	48,896	226,406	171,514	54,892
Non-compete arrangements	10,413	9,764	649	10,344	9,401	943
Trade names	3,377	2,605	772	3,332	2,488	844
Total	$ 444,913	$ 389,230	$ 55,683	$ 441,529	$ 375,977	$ 65,552

We assess goodwill and other intangible assets with indefinite lives at least annually for impairment, in the fourth quarter of our fiscal year, or more frequently if certain events or circumstances indicate an impairment may have occurred. We test goodwill for impairment at the reporting unit level, which is one level below our operating segments.

The carrying amount of goodwill, by segment, was as follows:

	Microelectronic Solutions (In thousands)	Test Solutions	Total
Balance at June 30, 2013			
Goodwill	$ 339,859	$ 159,284	$ 499,143
Accumulated impairments	(90,100)	(93,400)	(183,500)
	249,759	65,884	315,643
Changes for the three months ended September 30, 2013			
Translation and other adjustments	684	(172)	512
Balance at September 30, 2013			
Goodwill	340,543	159,112	499,655
Accumulated impairments	(90,100)	(93,400)	(183,500)
	$ 250,443	$ 65,712	$ 316,155

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6. Restructuring Charges

The following table sets forth the charges and payments related to the restructuring liability, which is reflected in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheets and primarily relates to our ATS Wireless and Avionics/Communications ("AVComm") groups, for the period indicated:

	Balance June 30, 2013	Three Months Ended September 30, 2013			Balance September 30, 2013
	Restructuring Liability (In thousands)	Net Additions	Cash Payments	Effect of Foreign Currency	Restructuring Liability
Severance costs	$ 904	$ 25	$ (743)	$ 15	$ 201
Facilities closure costs	88	659	(621)	-	126
Total	$ 992	$ 684	$ (1,364)	$ 15	$ 327

7. Derivative Financial Instruments

We address certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. When deemed appropriate to do so, we enter into interest rate swap derivatives to manage the effects of interest rate movements on portions of our debt. We routinely enter into foreign currency forward contracts, not designated as hedging instruments, to protect us from fluctuations in exchange rates.

Foreign Currency Contract Derivatives

Foreign currency contracts are used to protect us from fluctuations in exchange rates. Our foreign currency contracts are not designated as hedges and therefore the change in fair value is included in other income (expense) as it occurs. As of September 30, 2013, we had $44.6 million of notional value foreign currency forward contracts maturing through October 31, 2013. Notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of cash settlements under the contracts.

The fair values of our derivative financial instruments included in the condensed consolidated balance sheets as of September 30, 2013 and June 30, 2013 were as follows:

	Asset (Liability) Derivatives September 30, 2013		June 30, 2013	
(In thousands)	Balance Sheet Location	Fair Value [1]	Balance Sheet Location	Fair Value [1]
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 396	Accrued expenses and other current liabilities	$ (359)

(1)

The fair values of derivative assets and liabilities are determined based on observable market data and are considered level 2 in the fair value hierarchy.

The amounts of the gains and losses related to our derivative financial instruments not designated as hedging instruments for the three months ended September 30, 2013 and 2012 were as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Earnings on Derivative	Amount of Gain or (Loss) Recognized in Earnings on Derivative	
		Three Months Ended September 30,	
		2013	2012
		(In thousands)	
Foreign currency forward contracts	Other income (expense)	$ 755	$ (25)

8. Long Term Debt and Credit Agreements

As of September 30, 2013, we were in compliance with all of the financial covenants contained in our senior secured credit facility.

Interest paid was $6.9 million and $9.2 million for the three months ended September 30, 2013 and 2012, respectively. Accrued interest of $2.3 million and $2.5 million was included in accrued expenses and other current liabilities at September 30, 2013 and June 30, 2013, respectively.

The fair value of our debt instruments was as follows:

	As of September 30, 2013 (In thousands)	
	Carrying Amount	Estimated Fair Value
Senior secured term loan facility	$ 587,000	$ 591,036

As of June 30, 2013, our total debt had a carrying value of $587.0 million and a fair value of $585.5 million.

The estimated fair value of our senior secured term loan facility was based on quoted prices and is considered a Level 1 measurement.

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9. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss), net of tax, for the three months ended September 30, 2013 were as follows:

	Net Minimum Pension Liability (In thousands)	Net Cumulative Translation Adjustment	Total
Accumulated other comprehensive income (loss) at June 30, 2013	$ (1,403)	$ (42,003)	$ (43,406)
Other comprehensive income (loss)			
Other comprehensive income (loss) before reclassifications	16	10,550	10,566
Amounts reclassified from accumulated other comprehensive income	9	-	9
Total other comprehensive income (loss)	25	10,550	10,575
Accumulated other comprehensive income (loss) at September 30, 2013	$ (1,378)	$ (31,453)	$ (32,831)

10. Share-Based Payment Arrangements

Restricted Stock Units

During the three months ended September 30, 2013, the compensation committee awarded restricted stock units, or RSUs, covering a total of 60,000 shares. The average grant date fair value per share of these RSUs was $7.00 and they vest in equal tranches over service periods between three and four years.

11. Income (Loss) Per Common Share

Our consolidated statements of operations present basic and diluted income (loss) per common share. Basic income (loss) per common share is computed by dividing income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per common share reflects the dilutive effects of RSUs and performance restricted stock units, or PRSUs, if any. The treasury stock method is used to determine the dilutive effect of these potentially dilutive securities.

Due to the loss from continuing operations for the three months ended September 30, 2013, 1.3 million shares of common stock equivalents (which includes PRSUs that have been earned, but are subject to the continued employment of the respective participants with the Company) were excluded from diluted income (loss) per common share because they were anti-dilutive. Also, if all maximum performance metrics are achieved, an additional 727,000 PRSUs could potentially vest. Due to the loss from continuing operations for the three months ended September 30, 2012, 340,000 shares of common stock equivalents were excluded from diluted income (loss) per common share because they were anti-dilutive.

12. Legal Matters

To resolve all those outstanding violations of the Arms Export Control Act, or AECA, and the International Traffic in Arms Regulations, or ITAR, during the period from 1999 to 2009 that were disclosed by us voluntarily to the U.S. State Department concerning space related hardware items that were exported to China and, without the requisite State Department licenses, to end users in numerous other foreign countries, without admitting or denying the allegation of the violations, we have entered into a Consent Agreement effectively as of August 6, 2013, with the U.S. Department of State, Office of Defense Trade Controls Compliance. The Consent Agreement involves, among other things, a fine of $8.0 million payable over a two year period, $4.0 million of which is suspended and eligible for credit based on pre and post Consent Agreement compliance expenditures and investments made by the Company and approved by the State Department. During fiscal 2013, we recorded a charge of $8.0 million representing the legal obligation to the State Department under the then proposed terms of the Consent Agreement. In accordance with the terms of the Consent Agreement, in August 2013 we paid $2.0 million of the fine. Going forward, the Consent Agreement will not impact our ability to transact business internationally.

In March 2005, we sold the net assets of our shock and vibration control device manufacturing business, which we refer to as VMC. Under the terms of the sale agreements, we retained certain liabilities relating to adverse environmental conditions that existed at the premises occupied by VMC as of the date of sale. We recorded a liability for the estimated remediation costs related to adverse environmental conditions that existed at the VMC premises when it was sold. The accrued environmental liability at September 30, 2013 was $1.3 million, of which $300,000 was expected to be paid within one year.

We are also involved in various other claims and legal actions that arise in the ordinary course of business. We do not believe that the ultimate resolution of any of these actions will have a material adverse effect on our business, results of operations, financial position, liquidity or capital resources.

13. Income Taxes

The income tax benefit was $3.4 million for the three months ended September 30, 2013 on a pre-tax loss from continuing operations of $7.3 million. We recorded an income tax benefit for the three months ended September 30, 2012 of $2.5 million on a pre-tax loss from continuing operations of $17.0 million. The effective income tax rate for both periods differed from the amount computed by applying the U.S. federal income tax rate to income from continuing operations before taxes primarily due to foreign, state and local income taxes, including U.S. income tax on certain foreign income that we anticipate will be repatriated to the U.S.

The income tax benefit for the three months ended September 30, 2013 reflects a discrete benefit of $1.0 million relating to a reduction in the statutory income tax rate in the U.K. The income tax benefit for the three months ended September 30, 2012 reflects a discrete benefit of $116,000 relating to a statutory income tax rate reduction in the U.K. and a reduction of a deferred tax liability related to the repatriation of funds from our Chinese subsidiary largely offset by a true-up of a deferred tax item in the U.K.

Absent the discrete items, the effective tax rates were 32% and 14% for the three months ended September 30, 2013 and 2012, respectively. The current year's provision was a combination of a U.S. tax benefit on a domestic book loss and a foreign tax benefit on foreign book income. The prior year's provision was a combination of a U.S. tax expense on domestic earnings and a foreign tax expense on foreign earnings.

In the three months ended September 30, 2013 and 2012, we paid income taxes of $11.6 million and $1.2 million and received refunds of $4,000 and $843,000, respectively.

14. Business Segments

We are a global provider of radio frequency, or RF, and microwave integrated circuits, components and systems used in the design, development and maintenance of technically demanding, high-performance wireless communication systems. Our solutions include highly specialized microelectronic components and test and measurement equipment used by companies in the space, avionics, defense, commercial wireless communications, medical and other markets. Our sales to agencies of the United States government or to prime defense contractors or subcontractors of the United States government were approximately 33% for both of the three month periods ended September 30, 2013 and 2012. No customer constituted more than 10% of sales during any of the periods presented. Inter-segment sales were not material and have been eliminated from the tables below.

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The majority of our operations are located in the United States. We also have operations in Europe and Asia, with our most significant non-U.S. operations in the U.K. Net sales from facilities located in the U.K. were $30.6 million and $31.8 million for the three months ended September 30, 2013 and 2012, respectively. Total assets of the U.K. operations were $203.9 million as of September 30, 2013 and $177.3 million as of June 30, 2013.

Net sales, based on the customers' locations, attributed to the United States and other regions were as follows:

	Three Months Ended September 30, 2013		2012	
	(In thousands)			
United States of America	$	84,727	$	79,792
Europe and Middle East		19,685		32,290
Asia and Australia		23,482		22,149
Other regions		4,838		3,404
	$	132,732	$	137,635

We organize our operations into two segments: Aeroflex Microelectronic Solutions, or AMS, and Aeroflex Test Solutions, or ATS. We engineer, manufacture and market a diverse range of products in each of our segments. The segment data which follows, reflects a reclassification of our frequency synthesizer product line from our ATS segment to our AMS segment for all periods presented to better align it with its end markets. Our synthesizer reporting unit had sales of $3.7 million and $3.6 million for the three months ended September 30, 2013 and 2012, respectively.

AMS offers a broad range of microelectronics products and is a leading provider of high-performance, high reliability specialty microelectronics components. Its products include high reliability, or HiRel, microelectronics/semiconductors, RF and microwave components, mixed-signal/digital Application Specific Integrated Circuits ("ASICs") and motion control products. ATS is a leading provider of a broad line of specialized test and measurement equipment. Its products include wireless test equipment, military radio and private mobile radio test equipment, avionics test equipment, synthetic test equipment and other general purpose test equipment.

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Selected financial data by segment was as follows:

	Three Months Ended September 30, 2013	2012
	(In thousands)	
Net sales		
- Microelectronic solutions ("AMS")	$ 74,006	$ 78,072
- Test solutions ("ATS")	58,726	59,563
Net sales	$ 132,732	$ 137,635