AMR CORP
Form 8-K
April 05, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of earliest event
reported: April 5, 2005

AMR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	1-8400	75-1825172
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

4333 Amon Carter Blvd. Fort Worth, Texas	76155
(Address of principal executive offices)	(Zip Code)

(817) 963-1234
(Registrant's telephone number)

(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:

[ ] 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 8.01 Other Events

AMR Corporation is filing herewith a press release issued on April 4, 2005 by American Airlines, Inc. as Exhibit 99.1, which is included herein. This press release was issued to report March traffic for American Airlines, Inc.

SIGNATURE

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.

AMR CORPORATION

/s/ Charles D. MarLett
Charles D. MarLett
Corporate Secretary

Dated: April 5, 2005

EXHIBIT INDEX

Exhibit	Description
99.1	Press Release

Exhibit 99.1

CONTACT: Tim Wagner
Corporate Communications
Fort Worth, Texas
817-967-1577
corp.comm@aa.com

FOR RELEASE: Monday, April 4, 2005

AMERICAN AIRLINES REPORTS MARCH TRAFFIC

FORT WORTH, Texas - American Airlines, the world's largest airline, reported a March load factor of 80.2 percent - an increase of 5.1 points compared to the same period last year. Traffic grew by 9.1 percent year over year, while capacity increased by 2.1 percent.

International traffic increased 18.9 percent relative to last year on 14.1 percent more capacity. Domestic traffic increased 4.8 percent year over year despite a 3.1 percent capacity reduction.

American boarded 8.7 million passengers in March.

Detailed traffic and capacity data are on the following pages:

AMERICAN AIRLINES PASSENGER DIVISION
COMPARATIVE PRELIMINARY TRAFFIC SUMMARY
EXCLUDES CHARTER SERVICES

	March 2005	2004	CHANGE
REVENUE PASSENGER MILES (000)			
SYSTEM	12,074,774	11,069,634	9.1 %
D.O.T. DOMESTIC	8,110,958	7,736,479	4.8
INTERNATIONAL	3,963,816	3,333,155	18.9
ATLANTIC	1,539,038	1,374,311	12.0
LATIN AMERICA	2,022,800	1,634,906	23.7
PACIFIC	401,978	323,938	24.1
AVAILABLE SEAT MILES (000)			
SYSTEM	15,042,151	14,732,903	2.1 %
D.O.T. DOMESTIC	9,963,684	10,280,915	(3.1)
INTERNATIONAL	5,078,467	4,451,988	14.1
ATLANTIC	1,814,701	1,658,499	9.4
LATIN AMERICA	2,750,271	2,395,461	14.8

PACIFIC	513,495	398,028	29.0
LOAD FACTOR			
SYSTEM	80.2 %	75.1 %	5.1 Pts
D.O.T. DOMESTIC	81.4	75.2	6.2
INTERNATIONAL	78	74.8	3.2
ATLANTIC	84.8	82.8	2.0
LATIN AMERICA	73.5	68.2	5.3
PACIFIC	78.2	81.3	(3.1)
PASSENGERS BOARDED	8,673,738	7,967,528	8.9 %
SYSTEM CARGO TON MILES (000)	194,967	189,248	3.0 %

AMERICAN AIRLINES PASSENGER DIVISION
COMPARATIVE PRELIMINARY TRAFFIC SUMMARY
EXCLUDES CHARTER SERVICES
YEAR-TO-DATE MARCH

	2005	2004	CHANGE
REVENUE PASSENGER MILES (000)			
SYSTEM	32,245,056	30,223,760	6.7 %
D.O.T. DOMESTIC	21,552,350	20,903,311	3.1
INTERNATIONAL	10,692,706	9,320,449	14.7
ATLANTIC	3,903,534	3,560,636	9.6
LATIN AMERICA	5,689,995	4,843,243	17.5
PACIFIC	1,099,176	916,570	19.9
AVAILABLE SEAT MILES (000)			
SYSTEM	42,752,899	42,512,899	0.6 %
D.O.T. DOMESTIC	28,263,839	29,480,571	(4.1)
INTERNATIONAL	14,489,060	13,032,328	11.2
ATLANTIC	5,068,602	4,793,775	5.7
LATIN AMERICA	7,957,766	7,064,274	12.6
PACIFIC	1,462,692	1,174,279	24.6
LOAD FACTOR			
SYSTEM	75.4 %	71 %	4.4 Pts
D.O.T. DOMESTIC	76.2	70.9	5.3
INTERNATIONAL	73.7	71.5	2.2
ATLANTIC	77	74.2	2.8
LATIN AMERICA	71.5	68.5	3.0
PACIFIC	75.1	78	(2.9)
PASSENGERS BOARDED	23,062,838	21,762,896	6 %
SYSTEM CARGO TON MILES (000)	539,500	520,867	3.6 %

###

AmericanAirlines We know why you fly
Current AMR Corp. releases can be accessed on the Internet.
The address is http://www.aa.com

>

1,699

2,972

1,689

Weighted-average common and common-equivalent shares outstanding
89,614

86,806

89,452

86,713

20

COGNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Stock options to purchase 1,896,132 and 1,357,254 shares of common stock, on a weighted-average basis, were outstanding during the three-month and six-month periods ended July 2, 2017, respectively, and 3,904,396 and 4,502,777 for the same periods in 2016, but were not included in the calculation of dilutive net income per share because they were anti-dilutive.

NOTE 14: Discontinued Operations

On July 6, 2015, the Company completed the sale of its Surface Inspection Systems Division (SISD). A binding arbitration was concluded in the second quarter of 2016 with respect to certain product performance claims made by an SISD customer, for which the Company remained responsible under the indemnity provisions of the sale transaction. In that proceeding, the tribunal ordered the Company to pay the customer approximately $326,000, primarily representing a refund of the product purchase price. The tribunal also ordered the customer to pay the Company approximately $45,000, primarily representing reimbursement of legal fees. The net settlement of $281,000 was recorded in discontinued operations in the second quarter of 2016, along with $123,000 of legal fees. The tax benefit related to this expense was $149,000, resulting in a net loss from discontinued operations of $255,000.

The losses included in discontinued operations were as follows (in thousands):

	Three-months Ended		Six-months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
Operating income from discontinued operations	$ —	$ —	$ —	$ —
Gain (loss) on sale of discontinued operations	—	(404)	—	(404)
Income (loss) from discontinued operations before income tax expense (benefit)	—	(404)	—	(404)
Income tax expense (benefit) on discontinued operations	—	(149)	—	(149)
Net income (loss) from discontinued operations	$ —	$ (255)	$ —	$ (255)

NOTE 15: Acquisitions

ViDi Systems S.A.

On April 4, 2017, the Company acquired all of the outstanding shares of ViDi Systems, S.A. (ViDi), a privately-held vision software company based in Switzerland. This transaction has been accounted for as a business combination. The total purchase price of $23,015,000 included cash payment of $20,019,000, with the remaining $2,996,000 recorded as a holdback to secure potential claims under the agreement. The holdback limitation period is 18 months, and therefore, this amount has been recorded in "Other non-current liabilities" on the Consolidated Balance Sheet. In addition, the Company entered into a special incentive payment tied to employment, which is not material, that the Company will record as compensation expense.

Under this transaction, in addition to completed technologies, the Company acquired a team of software engineers that are expected to help the Company broaden the scope of applications that can be addressed with Cognex vision. ViDi's deep learning software uses artificial intelligence techniques to improve image analysis in applications where it is difficult to predict the full range of image variations that might be encountered. Using feedback, ViDi's software trains the system to distinguish between acceptable variations and defects. Assets acquired and liabilities assumed have been recorded at their estimated fair values as of the acquisition date.

COGNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The purchase price was allocated as follows (in thousands):

Cash	$146
Accounts receivable	425
Prepaid expenses	129
Property, plant, and equipment	40
Accounts payable	(98)
Accrued expenses	(716)
Deferred income tax liability	(388)
Non-compete agreement	370
Completed technologies	4,774
Goodwill	18,333
Purchase price	$23,015

The non-compete agreement and completed technology are included in "Intangible assets" on the Consolidated Balance Sheet. The non-compete agreement will be amortized to research, development and engineering expenses over three years, and the completed technology will be amortized to cost of revenue over six years, both on a straight-line basis. The portion of the acquired goodwill deductible for tax purposes is $5,112,000. Transaction costs were immaterial and were expensed as incurred.

GVi Ventures, Inc.

On April 12, 2017, the Company acquired selected assets and assumed selected liabilities of GVi Ventures, Inc., a privately-held maker of pre-configured vision solutions for common automotive applications based in the United States. This transaction has been accounted for as a business combination.

The total purchase price of $5,368,000 included cash payment of $4,069,000 and contingent consideration valued at $1,299,000. In addition, the Company entered into special incentive payments tied to employment, none of which are material, that the Company will record as compensation expense.

The undiscounted potential outcomes related to the contingent consideration range from $0 to $3,500,000 based upon certain milestone revenue levels over the next five years. As of July 2, 2017, the fair value of the contingent consideration was $1,299,000, with $274,000 recorded in “Accrued expenses,” and $1,025,000 recorded in "Other non-current liabilities" on the Consolidated Balance Sheet. The contingent consideration will be remeasured each reporting period with changes in fair value recorded in "Other income (expense)" on the Consolidated Statements of Operations.

Under this transaction, in addition to customer relationships and completed technologies, the Company acquired a team of software engineers that are expected to develop new products and increase the Company's ability to serve large customers in the automotive industry. Assets acquired and liabilities assumed have been recorded at their estimated fair values as of the acquisition date.

COGNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The purchase price was allocated as follows (in thousands):

Accounts receivable	$423
Inventories	120
Prepaid expenses and other current assets	1
Accounts payable	(152)
Accrued expenses	(10)
Completed technologies	910
Customer relationships	2,600
Goodwill	1,476
Purchase price	$5,368

The customer relationships and completed technologies are included in "Intangible assets" on the Consolidated Balance Sheet. The customer relationships are being amortized to selling, general, and administrative expenses over eight years, and the completed technologies are being amortized to cost of revenue over five years, both on a straight-line basis. A portion of the acquired goodwill is deductible for tax purposes. Transaction costs were immaterial and were expensed as incurred.

Pro-forma information for these acquisitions has not been presented because they are not material, either individually or in the aggregate.

NOTE 16: Subsequent Events

On July 31, 2017, the Company’s Board of Directors declared a cash dividend of $0.085 per share. The dividend is payable September 1, 2017 to all shareholders of record as of the close of business on August 18, 2017.

ITEM 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements
Certain statements made in this report, as well as oral statements made by the Company from time to time, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers can identify these forward-looking statements by our use of the words “expects,” “anticipates,” “estimates,” “believes,” “projects,” “intends,” “plans,” “will,” “ma “could,” “should,” and similar words and other statements of a similar sense. These statements are based upon our current estimates and expectations as to prospective events and circumstances, which may or may not be in our control and as to which there can be no firm assurances given. These forward-looking statements, which include statements regarding business and market trends, future financial performance, customer order rates, the timing for recognition of revenue, expected areas of growth, emerging markets, future product mix, research and development activities, the impact of acquisitions, the Company’s new Enterprise Resource Planning (ERP) system, investments, and strategic plans, involve known and unknown risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include: (1) the loss of a large customer; (2) current and future conditions in the global economy; (3) the reliance on revenue from the consumer electronics or automotive industries; (4) the inability to penetrate new markets; (5) the inability to achieve significant international revenue; (6) fluctuations in foreign currency exchange rates and the use of derivative instruments; (7) information security breaches or business system disruptions; (8) the inability to attract and retain skilled employees; (9) the reliance upon key suppliers to manufacture and deliver critical components for our products; (10) the failure to effectively manage product transitions or accurately forecast customer demand; (11) the inability to design and manufacture high-quality products; (12) the technological obsolescence of current products and the inability to develop new products; (13) the failure to properly manage the distribution of products and services; (14) the inability to protect our proprietary technology and intellectual property; (15) our involvement in time-consuming and costly litigation; (16) the impact of competitive pressures; (17) the challenges in integrating and achieving expected results from acquired businesses; (18) potential impairment charges with respect to our investments or for acquired intangible assets or goodwill; and (19) exposure to additional tax liabilities. The foregoing list should not be construed as exhaustive and we encourage readers to refer to the detailed discussion of risk factors included in Part I - Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation to subsequently revise forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date such statements are made.

Executive Overview
Cognex Corporation is a leading worldwide provider of machine vision products that capture and analyze visual information in order to automate tasks, primarily in manufacturing processes, where vision is required. In addition to product revenue derived from the sale of machine vision products, the Company also generates revenue by providing maintenance and support, consulting, and training services to its customers; however, service revenue accounted for less than 10% of total revenue for all periods presented.
The Company’s customers are predominantly in the factory automation market. Factory automation customers purchase Cognex products and incorporate them into their manufacturing processes. Customers in the consumer electronics and automotive industries contribute the largest percentage to the Company's factory automation revenue. Virtually every manufacturer can achieve better quality and manufacturing efficiency by using machine vision, and therefore, this market also includes a broad base of customers across a variety of other industries, including consumer products, food and beverage, medical devices, and pharmaceuticals. Factory automation customers also purchase Cognex products for use outside of the manufacturing process, such as using ID products in logistics automation for package sorting and distribution. A small percentage of the Company’s customers are in the semiconductor and electronics capital equipment market. These customers purchase Cognex products and integrate them into the

automation equipment that they manufacture and then sell to their customers to either make semiconductor chips or assemble printed circuit boards.

Revenue for the six-month period ended July 2, 2017 totaled $307,846,000, representing an increase of $64,367,000, or 26%, from same period in 2016 driven primarily by strong consumer electronics sales in Asia and strong logistics sales in the Americas. Manufacturing efficiencies achieved from the higher sales volume resulted in a gross margin of 79% of revenue for the six-month period in 2017 compared to 77% of revenue for the six-month period in 2016. Operating expenses increased by $23,907,000, or 20%, from the six-month period in 2016 due principally to higher personnel-related costs and incentive compensation plan expenses. The significant increase in revenue resulted in

24

an operating income margin of 31% of revenue for the six-month period in 2017 compared to 27% of revenue for the six-month period in 2016. Substantial tax benefits related to stock option exercises in 2017 further contributed to a net income margin of 33% of revenue for the six-month period in 2017 compared to 24% of revenue for the six-month period in 2016. Net income from continuing operations per diluted share was $1.14 for the six-month period in 2017 compared to $0.67 for the six-month period in 2016.

Results of Operations

As foreign currency exchange rates are a factor in understanding period-to-period comparisons, we believe the presentation of results on a constant-currency basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. We also use results on a constant-currency basis as one measure to evaluate our performance. Constant-currency information compares results between periods as if exchange rates had remained constant period-over-period. We generally refer to such amounts calculated on a constant-currency basis as excluding the impact of foreign currency exchange rate changes. Results on a constant-currency basis are not in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and should be considered in addition to, and not as a substitute for, results prepared in accordance with U.S. GAAP.

Revenue

Revenue increased by $25,630,000, or 17%, for the three-month period and increased by $64,367,000, or 26%, for the six-month period. Changes in foreign currency exchange rates did not have a material impact on revenue. The largest dollar and percentage growth came from customers based in Asia, where revenue increased by 53% and 73% for the three-month and six-month periods, respectively, driven primarily by higher sales in the consumer electronics industry in this region. Revenue from customers based in the Americas increased by 38% and 27% for the three-month and six-month periods, respectively, driven primarily by higher sales to customers in the logistics industry in this region. Revenue from customers based in Europe was lower than both prior-year comparisons due to the timing of large customer orders in the consumer electronics industry in this region. In 2017, we expect more of these large orders to be recognized as revenue in the third quarter of 2017, while revenue from large orders in this industry was more evenly split between the second and third quarters in 2016. Accordingly, as of the date of this report, we expect revenue for the third quarter of 2017 to be higher than both the second quarter of 2017 and the third quarter of 2016. The future quarterly timing of revenue in the consumer electronics industry will depend upon a number of factors, including the product introduction cycles of our large customers in this industry.

Gross Margin

Gross margin as a percentage of revenue was 78% and 79% for the three-month and six-month periods in 2017, respectively, compared to 76% and 77% for the same periods in 2016. The increase was primarily due to manufacturing efficiencies achieved from a higher volume of machine vision products sold, as fixed manufacturing costs were spread over a larger revenue base.

The Company's gross margin percentage has ranged from the mid-to-high 70s for the past several years. As of the date of this report, we expect the gross margin percentage to be closer to the mid-point of this range in the third quarter of 2017 due to anticipated higher revenue from a material customer under a preferred pricing arrangement.

Operating Expenses

Research, Development, and Engineering Expenses increased by $3,706,000, or 19%, for the three-month period and increased by $5,921,000, or 15%, for the six-month period as detailed in the table below (in thousands).

	Three-month period	Six-month period
RD&E expense in 2016	$ 19,671	40,226
Personnel-related costs	2,121	3,719
Stock-based compensation expense	1,304	1,760
Other	281	442
RD&E expenses in 2017	$ 23,377	46,147

RD&E expenses increased due to higher personnel-related costs resulting primarily from headcount additions to support new product initiatives and the higher business level. These headcount additions included engineering talent

from six business acquisitions completed in the past year that are expected to help accelerate the development of

25

---

future products. Stock-based compensation expense was also higher than the prior year due to a higher valuation of stock options issued as part of the Company's annual grant during the first quarter of 2017.
RD&E expenses as a percentage of revenue were 14% and 15% for the three-month and six-month periods in 2017, respectively, compared to 13% and 17% for the same periods in 2016. We believe that a continued commitment to RD&E activities is essential in order to maintain or achieve product leadership with our existing products and to provide innovative new product offerings, as well as to provide engineering support for large customers. In addition, we consider our ability to accelerate time to market for new products to be critical to our revenue growth. Therefore, we expect to continue to make significant RD&E investments in the future, and we target our RD&E spending to be between 10% and 15% of revenue on an annual basis. This quarterly percentage is impacted by revenue levels and investing cycles.
Selling, General, and Administrative Expenses
Selling, general, and administrative (SG&A) expenses increased by $9,803,000, or 23%, for the three-month period and increased by $17,986,000, or 22%, for the six-month period as detailed in the table below (in thousands).

	Three-month period	Six-month period
SG&A expenses in 2016	$ 42,715	$ 81,053
Personnel-related costs	3,444	6,069
Incentive compensation plans	1,714	4,049
Travel expenses	1,132	2,194
Stock-based compensation expense	1,845	1,989
ERP expenses	1,114	1,554
Other	554	2,131
SG&A expenses in 2017	$ 52,518	$ 99,039

SG&A expenses increased due to higher personnel-related costs resulting primarily from headcount additions, principally sales personnel. In addition, higher incentive compensation plan expenses, including sales commission and bonus plans, were recorded in 2017 as a result of the additional headcount and higher achievement levels based upon the Company's performance. Travel expenses were also higher than the prior year due to the additional sales personnel and the higher business level. Stock-based compensation expense was also higher than the prior year due to a higher valuation of stock options issued as part of the Company's annual grant during the first quarter of 2017.
In the first half of 2017, the Company incurred expenses related to vendor selection and project planning activities for a new Enterprise Resource Planning (ERP) system, which is the management information system that integrates the Company's manufacturing, order fulfillment, and financial activities. Although expenses will continue to be incurred for the remainder of 2017, we expect a large portion of these costs to be capitalized as part of the application development of the new ERP system, which we expect to place into service in the first half of 2018.
Non-operating Income (Expense)
The Company recorded foreign currency losses of $184,000 and $447,000 for the three-month and six-month periods in 2017, respectively, compared to foreign currency gains of $330,000 and $230,000 for the same periods in 2016. Foreign currency gains and losses result primarily from the revaluation and settlement of accounts receivable, accounts payable, and intercompany balances that are reported in one currency and collected in another.
Investment income increased by $691,000, or 48%, for the three-month period and increased by $1,566,000, or 61%, for the six-month period. The increase was due to higher yields, as well as additional funds available for investment in the Company's portfolio of debt securities.
The Company recorded other expense of $169,000 and other income of $101,000 for the three-month and six-month periods in 2017, respectively, compared to other income of $222,000 and 429,000 for the same periods in 2016. Other income included a $124,000 expense and a $151,000 benefit for the three-month and six-month periods in 2017, respectively, and a $200,000 benefit and a $463,000 benefit for the same periods in 2016 resulting from the revaluation of contingent consideration liabilities arising from business combinations. Other income (expense) also included rental income, net of associated expenses, from leasing space in buildings adjacent to the Company’s corporate headquarters.

Income Tax Expense

The Company’s effective tax rate was an expense of 9% and a benefit of 1% of pre-tax income for the three-month and six-month periods in 2017, respectively, compared to an expense of 17% and an expense of 16% of pre-tax income for the same periods in 2016.

The effective tax rate included a decrease in tax expense of $5,787,000 and $18,954,000 for the three-month and six-month periods in 2017, respectively, and $745,000 and $1,208,000 in the same periods in 2016 from the excess tax benefit arising from the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes from stock option exercises. The Company cannot predict the level of stock option exercises by employees in future periods.

Excluding the impact of these discrete tax events, the Company’s effective tax rate was 18% for all periods presented. The majority of income earned outside of the United States is permanently reinvested to provide funds for international expansion. The Company is tax resident in numerous jurisdictions around the world and has identified its major tax jurisdictions as the United States, Ireland, and China. The statutory tax rate is 12.5% in Ireland and 25% in China, compared to the U.S. federal statutory corporate tax rate of 35%. International rights to certain of the Company’s intellectual property are held by a subsidiary whose legal jurisdiction does not tax this income, resulting in a foreign effective tax rate that is lower than the above mentioned statutory rates.

Liquidity and Capital Resources

The Company has historically been able to generate positive cash flow from operations, which has funded its operating activities and other cash requirements and has resulted in an accumulated cash and investment balance of $765,326,000 as of July 2, 2017. The Company has established guidelines relative to credit ratings, diversification, and maturities of its investments that maintain liquidity.

The Company’s cash requirements during the six-month period ended July 2, 2017 were met with positive cash flows from operations, investment maturities, and the proceeds from stock option exercises. Cash requirements consisted of operating activities, investment purchases, the repurchase of common stock, the payment of dividends, cash paid for business acquisitions, and capital expenditures. Significant operating cash outflows included working capital requirements to support the higher business level, the prepayment of estimated 2017 income taxes, and the payment of company bonuses that were earned and accrued in 2016. Capital expenditures totaled $12,172,000 and consisted primarily of computer hardware, computer software, manufacturing test equipment related to new product introductions, and improvements made to the Company's headquarters building in Natick, Massachusetts and the Company's distribution center in Cork, Ireland.

During the six-month period ended July 2, 2017, the Company incurred $1,554,000 related to vendor selection and project planning activities for a new Enterprise Resource Planning (ERP) system. During the remainder of 2017, the Company expects cash outflows related to this project to be approximately $8,000,000, with a large portion of these costs to be capitalized as part of the new system, which the Company expects to place into service in the first half of 2018.

In November 2015, the Company's Board of Directors authorized the repurchase of $100,000,000 of the Company's common stock. As of July 2, 2017, the Company has repurchased 1,271,000 shares at a cost of $93,428,000 under this program, including 732,000 shares at a cost of $62,343,000 for the six-month period ended July 2, 2017. In April 2017, the Board authorized the repurchase of an additional $100,000,000 of the Company's common stock. Purchases under this April 2017 program will commence upon completion of the November 2015 program. The Company may repurchase shares under these programs in future periods depending upon a variety of factors, including, among other things, the impact of dilution from employee stock options, stock price, share availability, and cash requirements.

The Company’s Board of Directors declared and paid a cash dividend of $0.075 per share in the first quarter of 2017 and $0.085 per share in the second quarter of 2017, totaling $13,864,000 for the six-month period ended July 2, 2017. Future dividends will be declared at the discretion of the Company’s Board of Directors and will depend upon such factors as the Board deems relevant including, among other things, the Company’s ability to generate positive cash flows from operations.

The Company's business strategy includes selective expansion into new machine vision markets and applications through the acquisition of businesses and technologies. The Company has completed seven business acquisitions since August 2015, none of which are material individually or in the aggregate to the Company's financial position or operating results. Certain of these acquisitions have contractual obligations for deferred cash payments, contingent cash payments tied to performance, and special incentive cash payments tied to employment, none of which are

material individually or in the aggregate to the Company's cash flows.

The Company believes that its existing cash and investment balances, together with cash flow from operations, will be sufficient to meet its operating, investing, and financing activities for the next twelve months. As of July 2, 2017, the Company had $765,326,000 in cash and investments. In addition, the Company has no debt and does not anticipate

---

needing debt financing in the near future. We believe that our strong cash position has put us in a relatively good position with respect to our longer-term liquidity needs.

New Pronouncements

Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers”

The amendments in ASU 2014-09 will supersede and replace all currently existing U.S. GAAP, including industry-specific revenue recognition guidance, with a single, principle-based revenue recognition framework. The concept guiding this new model is that revenue recognition will depict transfer of control to the customer in an amount that reflects consideration to which an entity expects to be entitled. The core principles supporting this framework include (1) identifying the contract with a customer, (2) identifying separate performance obligations within the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue. This new framework will require entities to apply significantly more judgment. This increase in management judgment will require expanded disclosure on estimation methods, inputs, and assumptions for revenue recognition.

In March 2016, ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," was issued, in April 2016, ASU 2016-10, "Identifying Performance Obligations and Licensing," was issued, in May 2016, ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," was issued, and in December 2016, ASU 2016-20, "Technical Corrections and Improvements," was issued. These Updates do not change the core principle of the guidance under ASU 2014-09, but rather provide implementation guidance. ASU 2015-14, "Deferral of the effective date," amended the effective date of ASU 2014-09 for public companies to annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but only beginning after December 15, 2016. The Financial Accounting Standards Board may release additional implementation guidance in future periods.

We expect to adopt this standard using the full retrospective method to present all periods reported on a consistent basis. Upon adoption, revenue for software-only products sold as part of multiple-deliverable arrangements will no longer be deferred when vendor-specific objective evidence of fair value does not exist for undelivered elements of the arrangement. This change will likely result in earlier recognition of revenue. In addition, we expect certain of the Company’s product accessory sales, which are currently reported on a net basis, to be reported on a gross basis as a result of applying the expanded guidance in the new standard related to principal versus agent considerations. This change will result in the Company reporting higher revenue and higher cost of revenue when these sales are reported on a gross basis, although the gross margin dollars will not change. Furthermore, for arrangements that include customer-specified acceptance criteria, we expect to recognize revenue when we can objectively determine that control has been transferred to the customer in accordance with the agreed-upon specifications in the contract, which may occur before formal customer acceptance. This change will primarily impact revenue recognition for arrangements in the logistics industry where certain customer solutions include installed ID products and will likely result in earlier recognition of revenue. We do not expect these changes to have a material impact on total revenue. Management is currently in the process of updating the Company's revenue accounting policy, internal controls, and disclosures to finalize the implementation of this standard.

Accounting Standards Update (ASU) 2016-01, "Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities"

ASU 2016-01 provides guidance related to certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this Update affect all entities that hold financial assets or owe financial liabilities. This ASU requires equity investments (except those accounted under the equity method) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment. This ASU also eliminates the requirement for public companies to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet, and it requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. For public companies, the guidance in ASU 2016-01 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early

adoption is not permitted except for certain amendments in this Update. Management does not expect ASU 2016-01 to have a material impact on the Company's financial statements and disclosures.

Accounting Standards Update (ASU) 2016-02, "Leases"
ASU 2016-02 creates Topic 842, Leases. The objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet, and disclosing key information about leasing arrangements. This ASU applies to any entity that enters into a lease, although lessees will see the most significant changes. The main difference between current U.S. GAAP and Topic 842 is the recognition of lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current U.S. GAAP. Topic 842 distinguishes between finance leases and operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current U.S. GAAP. For public companies, the guidance in ASU 2016-02 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. This ASU should be applied using a modified retrospective approach. Management is in the process of evaluating the impact of this Update.
Accounting Standards Update (ASU) 2016-13, "Financial Instruments - Measurement of Credit Losses"
ASU 2016-13 applies to all reporting entities holding financial assets that are not accounted for at fair value through net income (debt securities). The amendments in this Update eliminate the probable initial recognition threshold to recognize a credit loss under current U.S. GAAP and, instead, reflect an entity's current estimate of all expected credit losses. In addition, this Update broadens the information an entity must consider in developing the credit loss estimate, including the use of reasonable and supportable forecasted information. The amendments in this Update require that credit losses on available-for-sale debt securities be presented as an allowance rather than as a write-down and an entity will be able to record reversals of credit losses in current period net income. For public companies, the guidance in ASU 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. This ASU should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Management does not expect ASU 2016-13 to have a material impact on the Company's financial statements and disclosures.
Accounting Standards Update (ASU) 2016-16, "Income Taxes - Intra-Entity Transfers of Assets Other than Inventory"
ASU 2016-16 applies to all reporting entities with intra-entity transfers of assets other than inventory. The amendments in this Update allow the recognition of deferred income taxes for an intra-entity transfer of an asset other than inventory when the transfer occurs, as opposed to when the asset has been sold to an outside party under current U.S. GAAP. Two common examples of assets included in the scope of this Update are intellectual property and property, plant, and equipment. For public companies, the amendments in ASU 2016-16 are effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within those annual periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. This ASU should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Management is in the process of evaluating the impact of this Update.
Accounting Standards Update (ASU) 2017-01, "Business Combinations - Clarifying the Definition of a Business"
ASU 2017-01 applies to all reporting entities that must determine whether they have acquired or sold a business. The amendments in this Update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. For public companies, the amendments in ASU 2017-01 are effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within those annual periods. This ASU should be applied prospectively on or after the effective date and no disclosures are required at transition. Early adoption is permitted for transactions for which the acquisition date occurs before the issuance date or the effective date of the amendments in this Update, only when the transaction has not been reported in financial statements that have been issued. Management does not expect ASU 2017-01 to have a material impact on the Company's financial statements and disclosures.
Accounting Standards Update (ASU) 2017-04, "Intangibles - Goodwill and Other - Simplifying the Test for Goodwill Impairment"

ASU 2017-04 applies to all reporting entities that have goodwill reported in their financial statements. The amendments in this Update eliminate Step 2 from the goodwill impairment test reducing the cost and complexity of evaluating goodwill for impairment. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment date of its assets and liabilities as would be required in a business combination. Instead, under the amendments in this Update, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. For public companies, the amendments in ASU 2017-04 are

29

effective for the annual or any interim goodwill impairment tests for reporting periods beginning after December 15, 2019. This ASU should be applied prospectively and an entity is required to disclose the nature of and reason for the change in accounting principle upon transition. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Management does not expect ASU 2017-04 to have a material impact on the Company's financial statements and disclosures.

Accounting Standards Update (ASU) 2017-08, "Receivables - Nonrefundable Fees and Other Costs - Premium Amortization on Purchased Callable Debt Securities "

ASU 2017-08 applies to all reporting entities that hold investments in callable debt securities that have an amortized cost basis in excess of the amount that is repayable by the issuer at the earliest call date (that is, at a premium). The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. Under current GAAP, premiums and discounts on callable debt securities generally are amortized to the maturity date. If that callable debt security is subsequently called, the entity records a loss equal to the unamortized premium. The amendments in this Update more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. For public companies, the amendments in ASU 2017-08 are effective for annual periods beginning after December 15, 2019 and interim reporting periods within annual years beginning after December 15, 2020. This ASU should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption, and, in the period of adoption, the entity is required to provide disclosures about a change in accounting principle. Early adoption is permitted, including adoption in an interim period. Management is in the process of evaluating the impact of this Update.

Accounting Standards Update (ASU) 2017-09, "Compensation - Stock Compensation - Scope of Modification Accounting"

ASU 2017-09 applies to all reporting entities that change the terms or conditions of a share-based payment award. Currently, the definition of the term modification is broad and its interpretation results in diversity in practice. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: 1) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified, 2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and 3)the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. For public companies, the amendments in ASU 2017-09 are effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within those annual periods. Early adoption is permitted including adoption in an interim period, for reporting periods for which financial statements have not yet been issued. This ASU should be applied prospectively to an award modified on or after the adoption date. Management does not expect ASU 2017-09 to have a material impact on the Company's financial statements and disclosures.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the Company’s exposures to market risk since December 31, 2016.

ITEM 4: CONTROLS AND PROCEDURES

As required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, the Company has evaluated, with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of its disclosure controls and procedures (as defined in such rules) as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of that date. From time to time, the Company reviews its disclosure controls and procedures, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that the Company’s systems evolve with its business. There was no change in the Company’s internal control over financial reporting that occurred during the quarter ended July 2, 2017 that has materially affected, or is reasonably likely to

materially affect, the Company’s internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various claims and legal proceedings generally incidental to the normal course of business are pending or threatened on behalf of or against the Company. While we cannot predict the outcome of these matters, we believe that any liability arising from them will not have a material adverse effect on our financial position, liquidity, or results of operations.

ITEM 1A. RISK FACTORS

For a list of factors that could affect the Company’s business, results of operations, and financial condition, see the risk factors discussion provided in Part I—Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information with respect to purchases by the Company of shares of its common stock during the three-month period ended July 2, 2017:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 3 - April 30, 2017	—	$ —	—	$138,848,000
May 1 - May 28, 2017	165,000	90.46	165,000	123,922,000
May 29 - July 2, 2017	187,000	92.78	187,000	106,572,000
Total	352,000	$ 91.69	352,000	$106,572,000

(1) In November 2015, the Company's Board of Directors authorized the repurchase of $100,000,000 of the Company's common stock. Purchases under this program commenced in the third quarter of 2016. In April 2017, the Company's Board of Directors authorized the repurchase of an additional $100,000,000 of the Company's common stock. Purchases under this program will commence once the November 2015 program is complete.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101	xBRL (Extensible Business Reporting Language)
	The following materials from Cognex Corporation's Quarterly Report on Form 10-Q for the period ended July 2, 2017, formatted in xBRL: (i) Consolidated Statements of Operations for the three-month and six-month periods ended July 2, 2017 and July 3, 2016; (ii) Consolidated Statements of Comprehensive Income for the three-month and six-month periods ended July 2, 2017 and July 3, 2016; (iii) Consolidated Balance Sheets as of July 2, 2017 and December 31, 2016; (iv) Consolidated Statements of Cash Flows for the six-month periods ended July 2, 2017 and July 3, 2016; (v) Consolidated Statement of Shareholders' Equity for the six-month period ended July 2, 2017; and (vi) Notes to Consolidated Financial Statements.
*	Filed herewith
**	Furnished herewith

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 thereunto duly authorized.

Date:	July 31, 2017	COGNEX CORPORATION	
		By:	/s/ Robert J. Willett
			Robert J. Willett
			President and Chief Executive Officer
			(principal executive officer)
		By:	/s/ John J. Curran
			John J. Curran
			Senior Vice President of Finance
			and Chief Financial Officer
			(principal financial and accounting officer)

33