

SMITH A O CORP
Form 10-Q
May 05, 2010
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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 March 31, 2010.

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 1-475

A. O. Smith Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

39-0619790

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

11270 West Park Place, Milwaukee, Wisconsin

(Address of principal executive office)

53224-9508

(Zip Code)

(414)359-4000

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(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 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.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)

Yes No

Class A Common Stock Outstanding as of April 30, 2010 5,177,626 shares

Common Stock Outstanding as of April 30, 2010 25,340,039 shares

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three Months ended March 31, 2010 and 2009

(dollars in millions, except for per share data)

(unaudited)

	Three Months Ended March 31	
	2010	2009
Water Products	\$ 366.7	\$ 339.0
Electrical Products	157.8	143.6
Inter-segment sales	(1.1)	(1.0)
Net Sales	523.4	481.6
Cost of products sold	378.8	380.2
Gross Profit	144.6	101.4
Selling, general and administrative expenses	97.5	84.7
Restructuring and other charges	0.9	1.4
Interest expense	2.6	3.2
Other expense - net	1.3	0.8
	42.3	11.3
Provision for income taxes	11.4	2.7
Earnings before equity loss in joint venture	30.9	8.6
Equity loss in joint venture	(0.1)	-
Net earnings	30.8	8.6
Net (earnings) loss attributable to noncontrolling interest	0.1	(5.9)
Net earnings attributable to A. O. Smith Corporation	\$ 30.9	\$ 2.7
Earnings per Common Share		
Basic	\$ 1.02	\$ 0.28
Diluted	\$ 1.01	\$ 0.28
Dividends per Common Share	\$ 0.195	\$ 0.19

See accompanying notes to unaudited condensed consolidated financial statements.

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2010 and December 31, 2009

(dollars in millions)

	(unaudited)	
	March 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 79.8	\$ 76.3
Receivables	405.7	373.6
Inventories	240.9	215.1
Deferred income taxes	24.5	26.6
Other current assets	54.9	48.4
Total Current Assets	805.8	740.0
Property, plant and equipment	993.5	994.6
Less accumulated depreciation	585.9	582.3
Net property, plant and equipment	407.6	412.3
Goodwill	569.7	567.8
Other intangibles	118.8	119.5
Deferred income taxes	17.7	22.2
Other assets	39.6	39.5
Total Assets	\$ 1,959.2	\$ 1,901.3
Liabilities		
Current Liabilities		
Short term debt	\$ 149.1	\$ -
Trade payables	311.5	312.9
Accrued payroll and benefits	38.4	51.6
Accrued liabilities	72.9	67.0
Product warranties	39.7	38.7
Long-term debt due within one year	21.1	21.1
Total Current Liabilities	632.7	491.3
Long-term debt	116.4	232.1
Pension liabilities	235.8	232.8
Other liabilities	153.7	155.3
Total Liabilities	1,138.6	1,111.5
Stockholders' Equity		
Class A Common Stock, \$5 par value: authorized 14,000,000 shares; issued 5,233,874 and 5,240,074	26.2	26.2

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Common Stock, \$1 par value: authorized 60,000,000 shares; issued 27,172,686 and 27,166,486	27.2	27.2
Capital in excess of par value	663.4	662.7
Retained earnings	390.4	365.4
Accumulated other comprehensive loss	(228.4)	(230.9)
Treasury stock at cost	(77.2)	(79.9)
Noncontrolling interest	19.0	19.1
Total Stockholders Equity	820.6	789.8
Total Liabilities and Stockholders Equity	\$ 1,959.2	\$ 1,901.3

See accompanying notes to unaudited condensed consolidated financial statements

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months ended March 31, 2010 and 2009 (dollars in millions)

(unaudited)

	Three Months Ended March 31	
	2010	2009
Operating Activities		
Net earnings	\$ 30.8	\$ 8.6
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:		
Depreciation and amortization	16.8	16.4
Loss on sale of assets	-	0.9
Net changes in operating assets and liabilities:		
Current assets and liabilities	(69.5)	(21.2)
Noncurrent assets and liabilities	9.1	(1.2)
Other	0.2	(0.3)
Cash Provided by (Used in) Operating Activities	(12.6)	3.2
Investing Activities		
Capital expenditures	(10.3)	(12.5)
Net cash distributed with spin off of discontinued SICO businesses	-	(7.0)
Proceeds from sale of marketable securities	-	7.5
Proceeds from sale of assets	-	2.0
Cash Used in Investing Activities	(10.3)	(10.0)
Financing Activities		
Short-term debt incurred - net	29.7	-
Long-term debt incurred	-	26.6
Long-term debt retired	-	(6.5)
Net proceeds from stock option activity	2.6	-
Dividends paid	(5.9)	(3.9)
Cash Provided by Financing Activities	26.4	16.2
Net increase in cash and cash equivalents	3.5	9.4
Cash and cash equivalents - beginning of period	76.3	35.3
Cash and Cash Equivalents - End of Period	\$ 79.8	\$ 44.7

See accompanying notes to unaudited condensed consolidated financial statements

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

A. O. SMITH CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2010 are not necessarily indicative of the results expected for the full year. It is suggested that the accompanying condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the company's latest Annual Report on Form 10-K filed with the SEC on February 26, 2010.

On April 22, 2009, A. O. Smith Corporation (the company) closed on a merger transaction with Smith Investment Company (SICO). The merger was approved by the company's stockholders on April 14, 2009.

The transaction between the company and SICO has been accounted for as a reverse acquisition with SICO as the accounting acquirer and the company (which is the surviving entity for legal purposes) as the accounting acquiree. As this is a common control transaction under Accounting Standards Codification (ASC) 805 Business Combinations (formerly FAS 141(R)) the transaction is accounted for as an equity transaction under ASC 810-10 Consolidations (formerly FAS 160). The acquisition of a noncontrolling interest does not require purchase accounting.

Furthermore, because SICO is the continuing reporting entity for accounting purposes, the reports filed by the company as the surviving corporation in the transaction will parallel the financial reporting required under GAAP and SEC reporting rules as if SICO were the legal successor as of the date of the transaction. Accordingly, prior period financial information presented in the company's financial statements reflects the historical activity of SICO.

On January 19, 2009, SICO distributed all of its assets and liabilities other than its ownership of company stock. These assets and liabilities related primarily to the multicolor printing business conducted through Berlin Industries and the commercial warehousing, trucking and packaging business conducted through Central States Distribution Service, Inc.

Certain other prior year amounts have been reclassified to conform to the 2010 presentation.

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	March 31, 2010	December 31, 2009
Finished products	\$ 160.9	\$ 142.9
Work in process	44.7	41.3
Raw materials	103.8	99.4
	309.4	283.6
LIFO reserve	(68.5)	(68.5)

