

ARMSTRONG WORLD INDUSTRIES INC
Form 10-Q
July 30, 2012
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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 June 30, 2012

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 1-2116

ARMSTRONG WORLD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

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Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-0366390
(I.R.S. Employer
Identification No.)

2500 Columbia Avenue, Lancaster, Pennsylvania
(Address of principal executive offices)

17603
(Zip Code)

Registrant's telephone number, including area code (717) 397-0611

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 time 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

Number of shares of Armstrong World Industries, Inc.'s common stock outstanding as of July 24, 2012 58,812,970.

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Cautionary Note Regarding Forward-Looking Statements

Certain information included in this report and in our other materials we have filed or will file with the Securities and Exchange Commission (SEC), as well as information included in oral statements or other written statements made or to be made by us, contains or may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the PSLRA). Those statements provide our future expectations or forecasts and can be identified by our use of words such as anticipate, estimate, expect, project, intend, plan, outlook, and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance or the outcome of contingencies such as liabilities or legal proceedings.

Forward-looking statements, by their nature, address matters that are uncertain and involve risks (such as those referenced in Part II, Item 1A, Risk Factors of this report) because they relate to events and depend on circumstances that may or may not occur in the future. The risks and uncertainties identified in the forward-looking statements contained in this report, together with those previously disclosed in our SEC filings, or those that are presently unforeseen, could result in significant adverse effects on our financial condition, results of operations and cash flows, and cause our actual results to differ materially from our expectations and from those expressed in our forward-looking statements.

We try to reduce the likelihood that these and other risks will significantly affect our businesses, as well as their potential impact. However, no matter how accurate our foresight, how well we evaluate risks, and how effective we are at mitigating them, one or more of these risks could have serious consequences for us, and could cause a material adverse effect on our business. See the related discussions in this document and our other SEC filings and other public documents for more details relating to the risks and uncertainties impacting our businesses. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update any forward-looking statements beyond what is required under applicable securities law.

This discussion is provided as permitted by the PSLRA, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

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Armstrong World Industries, Inc., and Subsidiaries

Condensed Consolidated Statements of Earnings and Comprehensive Income

(amounts in millions, except per share data)

Unaudited

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net sales	\$ 709.9	\$ 748.6	\$ 1,377.9	\$ 1,433.8
Cost of goods sold	533.7	563.9	1,056.9	1,088.4
Gross profit	176.2	184.7	321.0	345.4
Selling, general and administrative expenses	114.2	122.2	230.8	242.3
Restructuring charges, net		2.4	0.2	7.3
Equity earnings from joint venture	(14.9)	(12.6)	(28.5)	(29.0)
Operating income	76.9	72.7	118.5	124.8
Interest expense	14.4	11.5	25.6	26.3
Other non-operating expense	0.3	0.8	0.3	1.1
Other non-operating (income)	(0.7)	(0.8)	(1.5)	(1.4)
Earnings before income taxes	62.9	61.2	94.1	98.8
Income tax expense	21.1	23.3	34.1	47.4
Earnings	\$ 41.8	\$ 37.9	\$ 60.0	\$ 51.4
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(8.6)	4.0	(3.3)	15.4
Derivative (loss)	(2.0)	(3.5)	(4.3)	(2.4)
Pension and postretirement adjustments	2.5	3.2	4.9	6.5
Total other comprehensive (loss) income	(8.1)	3.7	(2.7)	19.5
Total comprehensive income	\$ 33.7	\$ 41.6	\$ 57.3	\$ 70.9
Earnings per share of common stock:				
Basic	\$ 0.71	\$ 0.64	\$ 1.02	\$ 0.88
Diluted	\$ 0.70	\$ 0.64	\$ 1.01	\$ 0.87
Average number of common shares outstanding:				
Basic	58.8	58.3	58.7	58.2
Diluted	59.4	58.9	59.3	58.8
Dividend declared per common share			\$ 8.55	

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 8.

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Armstrong World Industries, Inc., and Subsidiaries

Condensed Consolidated Balance Sheets

(amounts in millions, except share data)

	Unaudited June 30, 2012	December 31, 2011
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 217.3	\$ 480.6
Accounts and notes receivable, net	281.3	232.5
Inventories, net	403.4	388.9
Deferred income taxes	21.3	45.3
Income tax receivable	23.4	23.4
Other current assets	46.8	38.6
Total current assets	993.5	1,209.3
Property, plant, and equipment, less accumulated depreciation and amortization of \$548.0 and \$506.4, respectively	918.4	902.9
Prepaid pension costs	76.1	58.0
Investment in joint venture	135.9	141.0
Intangible assets, net	538.0	545.1
Restricted cash		1.5
Deferred income taxes	43.3	46.4
Other noncurrent assets	98.2	90.5
Total assets	\$ 2,803.4	\$ 2,994.7
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Short-term debt	\$ 6.2	\$ 2.0
Current installments of long-term debt	34.9	18.1
Accounts payable and accrued expenses	347.9	359.6
Dividends payable	4.9	
Income tax payable	11.0	4.0
Deferred income taxes	2.4	2.4
Total current liabilities	407.3	386.1
Long-term debt, less current installments	1,054.5	822.9
Postretirement benefit liabilities	265.1	272.2
Pension benefit liabilities	195.0	206.7
Other long-term liabilities	89.1	78.9
Income taxes payable	38.7	36.7
Deferred income taxes	58.2	61.0
Total noncurrent liabilities	1,700.6	1,478.4
Shareholders' equity:		
Common stock, \$0.01 par value per share, authorized 200 million shares; issued 58,812,184 shares in 2012 and 58,424,691 shares in 2011	0.6	0.6
Capital in excess of par value	1,070.8	1,467.5
Retained earnings	41.8	77.1
Accumulated other comprehensive (loss)	(417.7)	(415.0)

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Total shareholders' equity	695.5	1,130.2
Total liabilities and shareholders' equity	\$ 2,803.4	\$ 2,994.7

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 8.

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Armstrong World Industries, Inc., and Subsidiaries

Condensed Consolidated Statements of Shareholders' Equity

(amounts in millions)

Unaudited

	Common Stock		Six Months Ended June 30, 2012			Total
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive	
					(Loss)	
Balance at beginning of year	58,424,691	\$ 0.6	\$ 1,467.5	\$ 77.1	(\$ 415.0)	\$ 1,130.2
Stock issuance	387,493					
Share-based employee compensation			16.2			16.2
Earnings				60.0		60.0
Dividends			(412.9)	(95.3)		(508.2)
Other comprehensive loss					(2.7)	(2.7)