

MODINE MANUFACTURING CO
Form 8-K
May 05, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act
of 1934**

Date of Report (Date of earliest event reported):

May 5, 2004

Modine Manufacturing Company

(Exact name of registrant as specified in its charter)

Wisconsin

State or other jurisdiction of
incorporation

1-1373

Commission File Number

39-0482000

I.R.S. Employer Identification
Number

1500 DeKoven Avenue, Racine, Wisconsin

Address of principal executive offices

53403

Zip Code

Registrant's telephone number, including area code:

(262) 636-1200

(Former name or former address, if changed since last report.)

INFORMATION TO BE INCLUDED IN THE REPORT

Item 12. Results of Operations and Financial Condition.

On May 5, 2004, Registrant issued a press release announcing its financial results for the fourth quarter and fiscal year ended March 31, 2004. The text of that release appears below:

Immediate Release

John Ge

262.636.8434

j.ge@na.modine.com

Modine Reports an 18% Growth in Sales and a 55% Increase in Earnings for the Fourth Quarter

RACINE, Wis., May 5, 2004 -- Modine Manufacturing Company (NASDAQ: MODI) today reported notably stronger financial results for the fourth quarter and fiscal year ended March 31, 2004. Sales for the fourth quarter increased 18% to \$321.0 million from \$272.6 million for the same period one year ago. This is the second consecutive quarter the Company achieved record sales. Net earnings for the quarter increased significantly to \$12.5 million, or \$0.37 per fully diluted share, an increase of 55% compared with \$8.1 million, or \$0.24 per fully diluted share reported one year ago. Income from operations increased 48% to \$17.3 million from \$11.7 million one year ago, or 5.4% of sales versus 4.3% of sales last year. "Continuing the positive momentum we established in our fiscal third quarter, we achieved another robust year-over-year performance in both sales and earnings this quarter, delivering the stronger second half of the fiscal year that we projected," said David Rayburn, Modine's President and Chief Executive Officer.

Sales for the full year increased 10% to \$1,199.8 million from \$1,092.1 million one year ago, setting a new record for the Company. Effective with the first quarter of last year (fiscal 2003), the Company adopted Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets," and recorded a related goodwill impairment charge of \$21.7 million (net of \$1.1 million income tax benefit), resulting in net earnings of \$12.7 million, or \$0.38 per fully diluted share for last year. Net earnings for this year more than tripled to \$40.4 million or \$1.19 per fully diluted share, while earnings before the cumulative effect of accounting change increased 18% from \$34.4 million last year to \$40.4 million. Both the Company's fourth quarter and full year financial results were positively impacted by net favorable currency exchange rates, primarily the stronger Euro, which added \$17.9 million and \$70.3 million, respectively, to the quarterly and full year sales. The positive currency exchange effect on pre-tax earnings for the fourth quarter and the year was \$1.7 million and \$7.2 million, respectively. Also included in the fourth quarter, on a pre-tax basis, is approximately \$1.9 million in gains from the sale of closed facilities.

"This year's stronger performance is a result of the positive contribution from new business programs, continued operational improvements, and the beginning of recovery in the North American truck and heavy-duty markets in our fiscal fourth quarter. Our recently announced proposed acquisition will significantly expand our presence in Asia and is expected to be another major growth driver for us as we become a truly global company," continued Rayburn.

Segment Data and Performance

Edgar Filing: MODINE MANUFACTURING CO - Form 8-K

Full year sales for the Original Equipment segment increased 7% to \$502.2 million from \$469.4 million one year ago. Growth in the North American automotive, truck, as well as off-highway and industrial businesses all contributed to this improvement, with the truck market recording the largest year-over-year sales increase. Despite program launch expenses, ongoing pricing pressure, and warranty and program scope change costs, operating income for the Original Equipment segment improved 6% to \$81.1 million from \$76.4 in the previous year, benefiting from new business programs and improved manufacturing efficiency as a result of the customer and product rationalization strategy in the off-highway and industrial business.

Yearly sales for the Distributed Products segment increased approximately 1% to \$351.6 million from \$348.8 million reported last year. Sales were positively impacted by increased volumes in both the commercial HVAC (heating, ventilating, air conditioning) and electronics businesses. However, the aftermarket business experienced lower sales this year due to unfavorable weather conditions and a competitive market environment. Operating income for the Distributed Products segment declined slightly to \$3.3 million from \$3.4 million one year ago. Improvements in sourcing and operational efficiency in the aftermarket business were offset by lower margins in the electronics business related to a product mix shift associated with the end markets.

For the second consecutive year, both the automotive and heavy-duty businesses in the Company's European Operations segment recorded increased sales and operating income. Yearly sales for the segment increased 18% to \$392.9 million from \$333.0 million one year ago as a result of favorable currency exchange rates. Operating income improved more than 13% to \$42.3 million from \$37.4 million in the previous year. The European Operations segment's profitability was positively impacted by net favorable currency exchange rates and operational improvements in the heavy-duty business, which were partially offset by expenses associated with a product performance issue previously discussed in the Company's third quarter earnings release.

Balance Sheet and Cash Flow

Modine further strengthened its balance sheet and financial position in fiscal 2004, while continuing to generate strong operating cash flow. The Company ended the year with a cash balance of \$72.4 million, compared with \$77.2 million at the end of the last fiscal year. Total debt stood at \$87.9 million, a decrease of \$23.3 million from a year ago, resulting in a total debt to capital (total debt plus shareholders' equity) ratio of 13%, compared with 17% at the end of fiscal 2003. Operating cash flow was more than \$100 million for the fourth consecutive year, providing the Company the ability to pursue growth opportunities while preserving financial flexibility. "Our focus on working capital management produced encouraging results this year. Compared with the prior year, days sales outstanding decreased three days to 49 days, and inventory turns increased from 6.4 to 7.2," said Brad Richardson, Modine's Chief Financial Officer. "Our strong financial position allows us to pursue strategic investments, such as the recently announced proposed acquisition in Asia, our 3-phase investment in Europe for the new European headquarters, Technical Center, and wind tunnel, and our new and expanded plants in Wackersdorf, Germany and Hsinchu, Taiwan. We expect these investments to enhance our margins and returns and play a critical role in our future growth."

Fiscal 2005 Outlook

"We finished the year on a strong note, with our fiscal fourth quarter setting another record in sales and posting improved earnings," added Rayburn. "We are focused on increasing shareholder value through well executed new business programs and strategic business development activities. Our stronger results in the second half of this year firmly established a positive momentum for the organization. We fully expect this positive momentum to accelerate as we begin a new year and look forward to delivering a similar improvement in both sales and earnings in fiscal 2005 versus fiscal 2004 improvements, before considering the accounting change in fiscal 2003."

Fourth Quarter Webcast

Modine's executive management team will conduct a live audio webcast on Thursday, May 6, 2004 at 9:30 a.m. (EDT) to discuss additional details regarding the Company's performance for the fourth quarter and fiscal 2004, as well as the recent acquisition announcement. A PowerPoint presentation regarding the proposed acquisition will also

Edgar Filing: MODINE MANUFACTURING CO - Form 8-K

be made available before the webcast. The webcast and presentation may be accessed at www.modine.com under the Investors Relations section. A replay will be available on Modine's website after the webcast.

Modine specializes in thermal management, bringing heating and cooling technology to diversified markets. Modine products are used in light, medium and heavy-duty vehicles, HVAC (heating, ventilating, air conditioning) equipment, industrial equipment, refrigeration systems, fuel cells, and electronics. Modine can be found on the Internet at www.modine.com.

This news release contains statements, including information about future financial performance, accompanied by phrases such as "believes," "estimates," "expects," "plans," "anticipates," "will," "intends," and other similar "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995. Modine's actual results, performance or achievements may differ materially from those expressed or implied in these statements, because of certain risks and uncertainties, which are identified on page 25 of the Company's 2003 Annual Report to Shareholders and other recent Company filings with the Securities and Exchange Commission. In addition, this news release contains forward-looking statements regarding a proposed acquisition and the benefits thereof, as well as incremental business. These forward-looking statements are particularly subject to a number of risks and uncertainties, including regulatory approvals; international economic changes and challenges; market acceptance and demand for new products and technologies; and the ability of Modine to integrate the acquired operations and employees in a timely and cost-effective manner. These statements are also subject to the ability of Modine, its customers and suppliers to achieve projected sales and production levels; and unanticipated product or manufacturing difficulties.

Modine does not assume any obligation to update any of these forward-looking statements.

Modine Manufacturing Company
Consolidated statements of earnings

| | Quarter ended March 31, | | Year ended March 31, | |
|---|-------------------------|-----------|----------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | \$321,043 | \$272,644 | \$1,199,799 | \$1,092,075 |
| Cost of sales | 239,838 | 203,640 | 906,683 | 819,368 |
| Gross profit | 81,205 | 69,004 | 293,116 | 272,707 |
| Selling, general, & administrative expenses | 63,956 | 57,169 | 243,169 | 221,170 |
| Restructuring charges | (51) | 127 | (119) | (1,555) |
| Income from operations | 17,300 | 11,708 | 50,066 | 53,092 |
| Interest (expense) | (1,420) | (1,471) | (5,429) | (6,026) |
| Other income - net | 6,075 | 3,535 | 19,074 | 7,961 |
| Earnings before income taxes and | | | | |

(In thousands, except per-share amounts)

Edgar Filing: MODINE MANUFACTURING CO - Form 8-K

| | | | | |
|---|-----------|----------|-----------|-----------|
| cumulative effect of accounting change | 21,955 | 13,772 | 63,711 | 55,027 |
| Provision for income taxes | 9,427 | 5,681 | 23,274 | 20,669 |
| Earnings before cumulative effect of accounting change | 12,528 | 8,091 | 40,437 | 34,358 |
| Cumulative effect of change in accounting for: | | | | |
| Goodwill impairment (net of \$1,136 income tax benefit) | - | - | - | (21,692) |
| Net earnings | \$ 12,528 | \$ 8,091 | \$ 40,437 | \$ 12,666 |
| Net earnings as a percent of net sales | 3.9% | 3.0% | 3.4% | 1.2% |
| Net earnings per share of common stock - basic: | | | | |
| Before cumulative effect of accounting change | \$0.37 | \$0.24 | \$1.19 | \$1.03 |
| Cumulative effect of accounting change | - | - | - | (0.65) |
| Net earnings - basic | \$0.37 | \$0.24 | \$1.19 | \$0.38 |
| Net earnings per share of common stock - diluted: | | | | |
| Before cumulative effect of accounting change | \$0.37 | \$0.24 | \$1.19 | \$1.02 |
| Cumulative effect of accounting change | - | - | - | (0.64) |
| Net earnings - diluted | \$0.37 | \$0.24 | \$1.19 | \$0.38 |
| Weighted average shares outstanding: | | | | |
| Basic | 34,023 | 33,751 | 33,922 | 33,652 |
| Assuming dilution | 34,259 | 33,785 | 34,073 | 33,758 |
| Net cash provided by operating activities | \$20,408 | \$16,191 | \$107,249 | \$113,307 |
| Dividends paid per share | \$0.1375 | \$0.125 | \$0.55 | \$0.50 |

Comprehensive earnings, which represents net earnings adjusted by the change in foreign-currency translation and minimum pension liability recorded in shareholders' equity, for the periods ended March 31, 2004 and 2003, respectively, were \$24,888 and \$14,609 for 3 months, and \$69,124 and \$27,447 for 12 months.

Consolidated condensed balance sheets

Edgar Filing: MODINE MANUFACTURING CO - Form 8-K

| | | (In thousands) |
|---|-------------------|-------------------|
| | March 31, 2004 | March 31, 2003 |
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 72,427 | \$ 77,243 |
| Trade receivables - net | 180,163 | 161,319 |
| Inventories | 136,441 | 130,812 |
| Other current assets | 53,331 | 47,992 |
| Total current assets | 442,362 | 417,366 |
| Property, plant, and equipment - net | 397,697 | 361,605 |
| Other noncurrent assets | 139,133 | 131,847 |
| Total assets | \$979,192 | \$910,818 |
| <u>Liabilities</u> | | |
| Debt due within one year | \$ 3,024 | \$ 12,692 |
| Accounts payable | 108,420 | 93,506 |
| Other current liabilities | 101,774 | 87,065 |
| Total current liabilities | 213,218 | 193,263 |
| Long-term debt | 84,885 | 98,556 |
| Deferred income taxes | 42,774 | 37,370 |
| Other noncurrent liabilities | 51,774 | 51,242 |
| Total liabilities | 392,651 | 380,431 |
| <u>Shareholders' equity</u> | 586,541 | 530,387 |
| Total liabilities & shareholders' equity | \$979,192 | \$910,818 |

Modine Manufacturing
Company

Condensed consolidated statements of
cash flows

| | (In thousands) | |
|--|-------------------|-----------|
| For the years ended March 31, | 2004 | 2003 |
| Net earnings | \$ 40,437 | \$ 12,666 |
| Adjustments to reconcile net earnings with cash provided by operating activities: | 61,421 | 54,810 |

Edgar Filing: MODINE MANUFACTURING CO - Form 8-K

| | | |
|--|-----------|-----------|
| Depreciation and amortization | | |
| Cumulative effect of accounting change | - | 22,828 |
| Other - net | 3,553 | 9,386 |
| | 105,411 | 99,690 |
| Net changes in operating assets and liabilities | 1,838 | 13,617 |
| Cash flows provided by operating activities | 107,249 | 113,307 |
| Cash flows from investing activities: | | |
| Expenditures for plant, property, & equipment | (72,534) | (50,519) |
| Other- net | 4,191 | 4,478 |
| Net cash (used for) investing activities | (68,343) | (46,041) |
| Cash flows from financing activities: | | |
| Net (decrease) in debt | (33,892) | (55,814) |
| Cash dividends paid | (18,666) | (16,834) |
| Other -net | 3,435 | 2,289 |
| Net cash (used for) financing activities | (49,123) | (70,359) |
| Effect of exchange rate changes on cash | 5,401 | 4,934 |
| Net (decrease)/increase in cash and cash equivalents | (4,816) | 1,841 |
| Cash and cash equivalents at beginning of the year | 77,243 | 75,402 |
| Cash and cash equivalents at end of year | \$ 72,427 | \$ 77,243 |

Condensed segment operating results

(In thousands)

Edgar Filing: MODINE MANUFACTURING CO - Form 8-K

| | Quarter ended March 31, | | Year ended March 31, | |
|--------------------------|-------------------------|-------------|----------------------|-------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Sales: | | | | |
| Original Equipment | \$148,076 | \$122,088 | \$ 502,183 | \$ 469,383 |
| Distributed Products | 83,004 | 79,333 | 351,585 | 348,799 |
| European Operations | 101,444 | 86,251 | 392,948 | 333,028 |
| Segment sales | 332,524 | 287,672 | 1,246,716 | 1,151,210 |
| Eliminations | (11,481) | (15,028) | (46,917) | (59,135) |
| Total net sales | \$321,043 | \$272,644 | \$1,199,799 | \$1,092,075 |
| Operating Income: | | | | |
| Original Equipment | \$27,817 | \$19,271 | \$ 81,062 | \$ 76,415 |
| Distributed Products | (64) | (2,603) | 3,259 | 3,432 |
| European Operations | 10,225 | 12,001 | 42,349 | 37,422 |
| Segment operating income | \$37,978 | \$28,669 | \$126,670 | \$117,269 |

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 hereunto duly authorized.

Modine Manufacturing Company

By: /s/D. B. Rayburn

D. B. Rayburn
President and Chief Executive Officer

By: /s/D. R. Zakos

D. R. Zakos
Vice President, General Counsel and
Secretary

Date: May 5, 2004