

SMITH A O CORP
Form 10-Q
August 05, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013.

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)

11270 West Park Place, Milwaukee, Wisconsin
(Address of principal executive office)

(414) 359-4000

(Registrant's telephone number, including area code)

39-0619790
(I.R.S. Employer Identification No.)

53224-9508
(Zip Code)

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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 Accelerated Filer
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 Act.) Yes No

Class A Common Stock Outstanding as of July 31, 2013 13,236,490 shares

Common Stock Outstanding as of July 31, 2013 79,278,422 shares

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A. O. Smith Corporation

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PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS**

A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three and Six Months Ended June 30, 2013 and 2012

(dollars in millions, except for per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	\$ 549.1	\$ 484.2	\$ 1,058.7	\$ 952.8
Cost of products sold	351.1	323.7	681.4	643.2
Gross profit	198.0	160.5	377.3	309.6
Selling, general and administrative expenses	131.6	108.9	251.6	214.2
Restructuring, impairment and settlement expense, net	4.2	-	5.9	-
Interest expense	1.6	2.2	3.1	5.2
Other income	(0.7)	(1.2)	(1.7)	(30.3)
	61.3	50.6	118.4	120.5
Provision for income taxes	19.2	15.6	37.3	38.0
Net Earnings	\$ 42.1	\$ 35.0	\$ 81.1	\$ 82.5
Net Earnings Per Share of Common Stock	\$ 0.45	\$ 0.38	\$ 0.88	\$ 0.90
Diluted Net Earnings Per Share of Common Stock	\$ 0.45	\$ 0.38	\$ 0.87	\$ 0.89
Dividends Per Share of Common Stock	\$ 0.12	\$ 0.08	\$ 0.22	\$ 0.16

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Three and Six Months Ended June 30, 2013 and 2012

(dollars in millions)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net earnings	\$ 42.1	\$ 35.0	\$ 81.1	\$ 82.5
Other comprehensive (loss) earnings				
Foreign currency translation adjustments	(4.1)	(5.8)	(5.6)	(3.1)

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Unrealized net (loss) gain on cash flow derivative instruments, less related income tax benefit (provision) of \$0.5 and \$0.1 in 2013, \$0.1 and \$(0.3) in 2012	(0.9)	(0.2)	(0.2)	0.4
Adjustment to pension liability gain less related income tax provision of \$(0.8) and \$(4.7) in 2013	1.3	-	7.6	-
Reversal of unrealized gain on investments less related tax benefit of \$0.7	-	-	-	(1.2)
Comprehensive Earnings	\$ 38.4	\$ 29.0	\$ 82.9	\$ 78.6

See accompanying notes to unaudited condensed consolidated financial statements

PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS**

A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2013 and December 31, 2012

(dollars in millions)

	(unaudited)	
	June 30, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 366.1	\$ 266.9
Marketable securities	97.8	196.0
Receivables	422.6	425.4
Inventories	178.9	163.4
Deferred income taxes	34.3	33.2
Other current assets	25.9	22.3
Total Current Assets	1,125.6	1,107.2
Property, plant and equipment	703.6	680.7
Less accumulated depreciation	349.9	335.0
Net property, plant and equipment	353.7	345.7
Goodwill	433.8	435.4
Other intangibles	332.4	338.7
Other assets	49.7	38.2
Total Assets	\$ 2,295.2	\$ 2,265.2
Liabilities		
Current Liabilities		
Trade payables	\$ 315.0	\$ 328.9
Accrued payroll and benefits	50.9	46.5
Accrued liabilities	71.2	61.8
Product warranties	44.4	43.2
Long-term debt due within one year	8.6	18.6
Total Current Liabilities	490.1	499.0
Long-term debt	200.7	225.1
Pension liabilities	191.5	190.1
Other liabilities	156.4	156.9
Total Liabilities	1,038.7	1,071.1
Stockholders Equity		
Class A Common Stock, \$5 par value: authorized 14,000,000 shares; issued 13,302,456 and 13,309,876 shares authorized	66.5	66.6
	82.0	82.0

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Common Stock, \$1 par value: authorized 120,000,000 shares; issued 82,051,366 and 82,043,946		
Capital in excess of par value	586.0	580.5
Retained earnings	915.7	855.1
Accumulated other comprehensive loss	(318.7)	(320.5)
Treasury stock at cost	(75.0)	(69.6)
Total Stockholders Equity	1,256.5	1,194.1
Total Liabilities and Stockholders Equity	\$ 2,295.2	\$ 2,265.2

See accompanying notes to unaudited condensed consolidated financial statements

PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS**

A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2013 and 2012

(dollars in millions)

(unaudited)

	Six Months Ended June 30,	
	2013	2012
Operating Activities		
Net earnings	\$ 81.1	\$ 82.5
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:		
Depreciation and amortization	28.0	26.5
Pension expense	14.0	6.9
Loss on disposal of assets	0.2	0.5
Gain on sale of investments	-	(27.2)
Net changes in operating assets and liabilities, net of acquisitions:		
Current assets and liabilities	(13.8)	(56.6)
Noncurrent assets and liabilities	(3.1)	(2.4)
Cash Provided by Operating Activities - continuing operations	106.4	30.2
Cash Used in Operating Activities - discontinued operations	(1.4)	(26.6)
Cash Provided by Operating Activities	105.0	3.6
Investing Activities		
Capital expenditures	(38.2)	(30.3)
Acquisition of business	(4.0)	-
Investments in marketable securities	(59.3)	(180.1)
Net proceeds from sale of securities	157.7	192.6
Cash Provided by (Used in) Investing Activities	56.2	(17.8)
Financing Activities		
Long-term debt retired	(34.4)	(177.1)