

HEXCEL CORP /DE/
Form 10-Q
October 22, 2012
Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 2012

or

o 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 1-8472

Hexcel Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

94-1109521
(I.R.S. Employer Identification No.)

Two Stamford Plaza

281 Tresser Boulevard

Stamford, Connecticut 06901-3238

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(203) 969-0666**

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 x No o

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 x No o

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 x

Accelerated filer o

Non-accelerated filer o

Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class
COMMON STOCK

Outstanding at October 18, 2012
99,737,443

Table of Contents

HEXCEL CORPORATION AND SUBSIDIARIES

INDEX

	Page
<u>PART I.</u>	<u>FINANCIAL INFORMATION</u>
<u>ITEM 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>
	<ul style="list-style-type: none"> • <u>Condensed Consolidated Balance Sheets – September 30, 2012 and December 31, 2011</u> 3 • <u>Condensed Consolidated Statements of Operations – The Quarters and Nine Months Ended September 30, 2012 and 2011</u> 4 • <u>Condensed Consolidated Statements of Comprehensive Income – The Quarters and Nine Months Ended September 30, 2012 and 2011</u> 4 • <u>Condensed Consolidated Statements of Cash Flows – The Nine Months Ended September 30, 2012 and 2011</u> 5 • <u>Notes to Condensed Consolidated Financial Statements</u> 6
<u>ITEM 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 15
<u>ITEM 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 20
<u>ITEM 4.</u>	<u>Controls and Procedures</u> 20
<u>PART II.</u>	<u>OTHER INFORMATION</u> 21
<u>ITEM 1.</u>	<u>Legal Proceedings</u> 21
<u>ITEM 1A.</u>	<u>Risk Factors</u> 21
<u>ITEM 6.</u>	<u>Exhibits and Reports on Form 8-K</u> 21
<u>SIGNATURE</u>	21

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Condensed Consolidated Financial Statements (Unaudited)****Hexcel Corporation and Subsidiaries****Condensed Consolidated Balance Sheets**

(In millions, except per share data)	(Unaudited)	
	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 43.2	\$ 49.5
Accounts receivable, net	242.2	199.3
Inventories, net	235.7	215.7
Current deferred tax assets and other current assets	63.1	59.8
Total current assets	584.2	524.3
Property, plant and equipment	1,391.0	1,223.5
Less accumulated depreciation	(532.8)	(501.4)
Property, plant and equipment, net	858.2	722.1
Goodwill and intangible assets	57.7	57.4
Investments in affiliated companies	21.9	21.7
Deferred tax assets	28.0	33.0
Other assets	16.9	17.6
Total assets	\$ 1,566.9	\$ 1,376.1
Liabilities and Stockholders Equity		
Current liabilities:		
Short-term borrowings and current maturities of debt	\$ 17.1	\$ 12.6
Accounts payable	104.3	141.7
Accrued liabilities	108.1	93.2
Total current liabilities	229.5	247.5
Long-term debt	279.3	238.3
Other non-current liabilities	109.2	88.1
Total liabilities	618.0	573.9
Stockholders equity:		
Common stock, \$0.01 par value, 200.0 shares authorized, 102.2 and 101.0 shares issued at September 30, 2012 and December 31, 2011, respectively	1.0	1.0
Additional paid-in capital	612.2	589.2
Retained earnings	411.3	283.9
Accumulated other comprehensive loss	(36.4)	(39.8)
	988.1	834.3
	(39.2)	(32.1)

Edgar Filing: HEXCEL CORP /DE/ - Form 10-Q

Less Treasury stock, at cost, 2.5 shares at September 30, 2012 and 2.2 shares at December 31, 2011				
Total stockholders' equity		948.9		802.2
Total liabilities and stockholders' equity		\$ 1,566.9	\$	1,376.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Hexcel Corporation and Subsidiaries****Condensed Consolidated Statements of Operations**

(In millions, except per share data)	(Unaudited)			
	Quarter Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales	\$ 391.6	\$ 351.8	\$ 1,190.9	\$ 1,037.1
Cost of sales	292.4	265.3	879.8	780.6
Gross margin	99.2	86.5	311.1	256.5
Selling, general and administrative expenses	30.3	29.9	99.4	92.5
Research and technology expenses	8.9	7.9	26.7	24.4
Other operating (income) expense		2.7	(9.5)	(3.0)
Operating income	60.0	46.0	194.5	142.6
Interest expense, net	2.2	2.2	8.2	9.3
Non-operating expense			1.1	4.9
Income before income taxes and equity in earnings of affiliated companies	57.8	43.8	185.2	128.4
Provision for income taxes	18.0	12.0	58.5	33.5
Income before equity in earnings of affiliated companies	39.8	31.8	126.7	94.9
Equity in earnings of affiliated companies		0.4	0.7	1.1
Net income	\$ 39.8	\$ 32.2	\$ 127.4	\$ 96.0
Basic net income per common share:	\$ 0.40	\$ 0.33	\$ 1.27	\$ 0.97
Diluted net income per common share:	\$ 0.39	\$ 0.32	\$ 1.25	\$ 0.95
Weighted average common shares outstanding:				
Basic	100.3	99.0	100.1	98.6
Diluted	102.1	101.1	102.0	100.7

Hexcel Corporation and Subsidiaries**Condensed Consolidated Statements of Comprehensive Income**

(In millions, except per share data)	(Unaudited)			
	Quarter Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 39.8	\$ 32.2	\$ 127.4	\$ 96.0
Currency translation adjustments	7.5	(18.8)	0.4	5.6
Net unrealized pension and other benefit actuarial gains (losses) and prior service costs (credits)	(0.5)	0.7	(0.2)	1.6
Net unrealized gains (losses) on financial instruments, net of tax	4.7	(5.5)	3.2	(1.3)
Comprehensive income	\$ 51.5	\$ 8.6	\$ 130.8	\$ 101.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Hexcel Corporation and Subsidiaries****Condensed Consolidated Statements of Cash Flows**

(In millions)	(Unaudited) Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 127.4	\$ 96.0
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	43.0	41.6
Amortization of deferred financing costs and call premium expense	2.5	6.4
Deferred income taxes	21.3	27.4
Equity in earnings from affiliated companies	(0.7)	(1.1)
Stock-based compensation	13.1	11.3
Gain on sale of property	(4.9)	
Pension curtailment gain		(5.7)
Excess tax benefits on stock-based compensation	(5.8)	(3.7)
Changes in assets and liabilities:		
Increase in accounts receivable	(45.0)	(31.8)
Increase in inventories	(20.7)	(41.8)
Decrease (increase) in prepaid expenses and other current assets	1.5	(2.0)
Increase in accounts payable and accrued liabilities	26.9	18.4
Other-net	(8.1)	(4.0)
Net cash provided by operating activities	150.5	111.0
Cash flows from investing activities		
Proceeds from sale of real estate	5.3	
Capital expenditures	(208.9)	(99.5)
Settlement of foreign currency hedge		(5.2)
Net cash used for investing activities	(203.6)	(104.7)
Cash flows from financing activities		