

HNI CORP
Form 10-Q
April 30, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 March 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: 1-14225

HNI Corporation
(Exact name of registrant as specified in its charter)

Iowa 42-0617510
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

P. O. Box 1109, 408 East Second Street 52761-0071
Muscatine, Iowa 52761-0071 (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: 563/272-7400

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

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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 Exchange Act).

YES NO

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

Class	Outstanding at March 30, 2013
Common Shares, \$1 Par Value	45,457,740

HNI Corporation and SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	March 30, 2013	December 29, 2012
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$30,910	\$41,782
Short-term investments	7,251	7,250
Receivables	194,762	213,490
Inventories (Note C)	106,669	93,515
Deferred income taxes	21,723	21,977
Prepaid expenses and other current assets	31,673	26,926
Total Current Assets	392,988	404,940
PROPERTY, PLANT, AND EQUIPMENT		
Land and land improvements	27,246	26,681
Buildings	269,293	268,003
Machinery and equipment	461,248	465,014
Construction in progress	21,337	17,871
	779,124	777,569
Less accumulated depreciation	534,743	537,079
Net Property, Plant, and Equipment	244,381	240,490
GOODWILL	288,348	288,348
OTHER ASSETS	147,013	145,853
Total Assets	\$1,072,730	\$1,079,631

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	March 30, 2013	December 29, 2012
	(In thousands, except share and per share value data)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$332,931	\$390,958
Note payable and current maturities of long-term debt and capital lease obligations	49,169	4,554
Current maturities of other long-term obligations	2,834	373
Total Current Liabilities	384,934	395,885
LONG-TERM DEBT	150,132	150,146
CAPITAL LEASE OBLIGATIONS	198	226
OTHER LONG-TERM LIABILITIES	58,360	57,281
DEFERRED INCOME TAXES	57,107	55,433
COMMITMENTS AND CONTINGENCIES		
EQUITY		
HNI Corporation shareholders' equity:		
Capital Stock:		
Preferred, \$1 par value, authorized 2,000,000 shares, no shares outstanding	—	—
Common, \$1 par value, authorized 200,000,000 shares, outstanding - March 30, 2013 – 45,457,740 shares; December 29, 2012 – 44,950,703 shares	45,458	44,951
Additional paid-in capital	30,673	20,153
Retained earnings	344,375	353,942
Accumulated other comprehensive income	1,341	1,313
Total HNI Corporation shareholders' equity	421,847	420,359
Noncontrolling interest	152	301
Total Equity	421,999	420,660
Total Liabilities and Equity	\$1,072,730	\$1,079,631

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended	
	March 30, 2013	March 31, 2012
	(In thousands, except share and per share data)	
Net sales	\$442,297	\$445,212
Cost of sales	294,515	298,385
Gross profit	147,782	146,827
Selling and administrative expenses	144,556	143,734
Restructuring and impairment	156	897
Operating income	3,070	2,196
Interest income	152	179
Interest expense	2,668	2,614
Income before income taxes	554	(239)
Income taxes (benefit)	(625)	(86)
Net income (loss)	1,179	(153)
Less: Net (loss) attributable to the noncontrolling interest	(229)	(12)
Net income (loss) attributable to HNI Corporation	\$1,408	\$(141)
Net income (loss) attributable to HNI Corporation per common share – basic	\$0.03	\$(0.00)
Average number of common shares outstanding – basic	45,154,764	45,151,526
Net income (loss) attributable to HNI Corporation per common share – diluted	\$0.03	\$(0.00)
Average number of common shares outstanding – diluted	45,719,878	45,151,526
Cash dividends per common share	\$0.24	\$0.23
Other comprehensive income, net of tax of 2013 \$(20); 2012 \$346	28	877
Comprehensive income	1,207	724
Less: Comprehensive (loss) attributable to noncontrolling interest	(229)	(12)
Comprehensive income attributable to HNI Corporation	\$1,436	\$736

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Three Months Ended	
	March 30, 2013	March 31, 2012
	(In thousands)	
Net Cash Flows From (To) Operating Activities:		
Net income (loss)	\$1,179	\$(153)
Noncash items included in net income:		
Depreciation and amortization	11,089	10,821
Other postretirement and post employment benefits	415	420
Stock-based compensation	2,266	2,160
Excess tax benefits from stock compensation	(1,888)	(4,146)
Deferred income taxes	1,931	1,403
Loss on sale, retirement and impairment of long-lived assets and intangibles	104	310
Stock issued to retirement plan	5,352	4,864
Other – net	1,921	1,021
Net increase (decrease) in operating assets and liabilities	(54,237)	(45,229)
Increase (decrease) in other liabilities	1,847	831
Net cash flows from (to) operating activities	(30,021)	(27,698)
Net Cash Flows From (To) Investing Activities:		
Capital expenditures	(12,556)	(8,519)
Proceeds from sale of property, plant and equipment	31	205
Capitalized software	(3,488)	(4,298)
Purchase of investments	(1,106)	(1,438)
Sales or maturities of investments	900	900
Other – net	(578)	(115)
Net cash flows from (to) investing activities	(16,797)	(13,265)
Net Cash Flows From (To) Financing Activities:		
Proceeds from sales of HNI Corporation common stock	4,587	2,017
Withholdings related to net share settlements of equity based awards	(1,598)	(5,969)
Purchase of HNI Corporation common stock	(1,850)	—
Proceeds from long-term debt	78,153	60,000
Payments of note and long-term debt and other financing	(34,368)	(25,057)
Excess tax benefits from stock compensation	1,888	4,146
Dividends paid	(10,866)	(10,467)
Net cash flows from (to) financing activities	35,946	24,670
Net increase (decrease) in cash and cash equivalents	(10,872)	(16,293)
Cash and cash equivalents at beginning of period	41,782	72,812
Cash and cash equivalents at end of period	\$30,910	\$56,519

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI Corporation and SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 30, 2013

Note A. Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The December 29, 2012 consolidated balance sheet included in this Form 10-Q was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. 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 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending December 28, 2013. For further information, refer to the consolidated financial statements and accompanying notes included in HNI Corporation's (the "Corporation") Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

Note B. Stock-Based Compensation

The Corporation measures stock-based compensation expense at grant date, based on the fair value of the award, and recognizes expense over the employee requisite service period. For the three months ended March 30, 2013, and March 31, 2012, the Corporation recognized \$2.3 million and \$2.2 million, respectively, of stock-based compensation expense for the cost of stock options and time-based restricted stock units issued under the HNI Corporation 2007 Stock-Based Compensation Plan and shares issued under the HNI Corporation 2002 Members' Stock Purchase Plan.

At March 30, 2013, there was \$12.1 million of unrecognized compensation cost related to nonvested stock-based compensation awards, which the Corporation expects to recognize over a weighted-average remaining service period of 1.3 years.

Note C. Inventories

The Corporation values its inventory at the lower of cost or market with approximately 69% valued by the last-in, first-out ("LIFO") costing method.

(In thousands)	March 30, 2013	December 29, 2012
Finished products	\$59,019	\$47,042
Materials and work in process	73,122	71,945
LIFO allowance	(25,472) (25,472
	\$106,669	\$93,515

Note D. Accumulated Other Comprehensive Income and Shareholders' Equity

The following table summarizes the components of accumulated other comprehensive income and the changes in accumulated other comprehensive income, net of tax, as applicable for the three months ended March 30, 2013:

(In thousands)	Foreign Currency Translation Adjustment	Unrealized Gains on Marketable Securities	Pension Postretirement Liability	Derivative Financial Instruments	Accumulated Other Comprehensive Income
Balance at December 29, 2012	\$5,475	\$205	\$(4,291) \$(76) \$1,313
Other comprehensive income before reclassifications	65	(22) —	(14) 29
Amounts reclassified from accumulated other comprehensive income	—	—	74	(75) (1
Balance at March 30, 2013	\$5,540	\$183			