

VALSPAR CORP  
Form 10-Q  
September 05, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-Q**

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

**For the quarterly period ended July 27, 2007**

**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: 1-3011**

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**THE VALSPAR CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**36-2443580**  
(I.R.S. Employer  
Identification No.)

**1101 Third Street South  
Minneapolis, MN 55415**

(Address of principal executive offices, including zip code)

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**612/332-7371**

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of August 30, 2007, The Valspar Corporation had 100,558,460 shares of common stock outstanding, excluding 17,884,164 shares held in treasury. The Company had no other classes of stock outstanding.

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THE VALSPAR CORPORATION

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for the Quarter Ended July 27, 2007

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE VALSPAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (DOLLARS IN THOUSANDS)

	July 27, 2007 (Unaudited)	July 28, 2006 (Unaudited)	October 27, 2006 (Note)
<b><u>ASSETS</u></b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 83,954	\$ 60,583	\$ 88,238
Accounts receivable less allowances (7/27/07 \$10,633; 7/28/06 \$12,898; 10/27/06 \$13,145)	568,877	534,475	475,736
Inventories:			
Manufactured products	187,005	167,022	172,561
Raw materials, supplies and work-in-process	120,478	86,849	109,256
	307,483	253,871	281,817
Deferred income taxes	31,508	40,144	32,422
Prepaid expenses and other	100,370	84,973	90,104

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	July 27, 2007	July 28, 2006	October 27, 2006
TOTAL CURRENT ASSETS	1,092,192	974,046	968,317
GOODWILL	1,298,077	1,328,958	1,336,098
INTANGIBLES, NET	536,317	360,241	361,957
OTHER ASSETS	73,659	63,588	63,470
LONG-TERM DEFERRED INCOME TAXES	2,195	3,129	2,088
PROPERTY, PLANT AND EQUIPMENT	971,313	833,122	877,391
Less accumulated depreciation	(478,111)	(420,027)	(417,786)
	493,202	413,095	459,605
	\$ 3,495,642	\$ 3,143,057	\$ 3,191,535

NOTE: The Balance Sheet at October 27, 2006 has been derived from the audited consolidated financial statements at that date.  
See Notes to Condensed Consolidated Financial Statements

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THE VALSPAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS - CONTINUED

(DOLLARS IN THOUSANDS)

	July 27, 2007 (Unaudited)	July 28, 2006 (Unaudited)	October 27, 2006 (Note)
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
CURRENT LIABILITIES:			
Notes payable	\$ 347,407	\$ 37,310	\$ 139,136
Current portion of long-term debt	100,028	350,026	350,027
Trade accounts payable	398,930	337,747	368,159
Income taxes	35,399	55,128	38,455
Accrued liabilities	253,235	274,123	301,100
TOTAL CURRENT LIABILITIES	1,134,999	1,054,334	1,196,877
LONG-TERM DEBT	603,351	550,124	350,267
DEFERRED INCOME TAXES	241,767	203,934	199,816

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	July 27, 2007	July 28, 2006	October 27, 2006
DEFERRED LIABILITIES	158,880	153,045	185,789
MANDATORILY REDEEMABLE STOCK	33,924		18,723
STOCKHOLDERS' EQUITY:			
Common Stock (Par Value \$.50; Authorized 250,000,000 shares; Shares issued, including shares in treasury 118,442,624)	59,220	60,220	60,220
Additional paid-in capital	303,155	311,548	326,011
Retained earnings	1,075,762	969,693	1,007,225
Other	66,694	19,183	24,084
	1,504,831	1,360,644	1,417,540
Less cost of Common Stock in treasury (7/27/07 17,944,651 shares; 7/28/06 18,843,267 shares; 10/27/06 18,538,360 shares)	182,110	179,024	177,477
	1,322,721	1,181,620	1,240,063
	\$ 3,495,642	\$ 3,143,057	\$ 3,191,535

NOTE: The Balance Sheet at October 27, 2006 has been derived from the audited consolidated financial statements at that date.

See Notes to Condensed Consolidated Financial Statements

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THE VALSPAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

THREE MONTHS ENDED

NINE MONTHS ENDED

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	<b>July 27, 2007</b>	<b>July 28, 2006</b>	<b>July 27, 2007</b>	<b>July 28, 2006</b>
Net sales	\$ 893,498	\$ 797,376	\$ 2,396,492	\$ 2,193,957
Cost of goods sold	614,976	550,718	1,672,005	1,534,715
Gross profit	278,522	246,658	724,487	659,242
Research and development	24,096	21,202	69,991	61,149
Selling and administrative	149,981	136,534	420,613	378,126
Income from operations	104,445	88,922	233,883	219,967
Interest expense	16,033	10,897	46,962	32,607
Other (income)/expense - net	1,301	1,495	3,345	2,650
Income before income taxes	87,111	76,530	183,576	184,710