

SMITH A O CORP
Form 10-Q
May 07, 2012
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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 March 31, 2012.

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

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

53224-9508
(Zip Code)

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(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 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

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated Filer

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 April 30, 2012 6,629,810 shares

Common Stock Outstanding as of April 30, 2012 39,731,141 shares

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three Months ended March 31, 2012 and 2011

(dollars in millions, except for per share data)

(unaudited)

	Three Months Ended March 31	
	2012	2011
Continuing Operations		
Net sales	\$ 468.6	\$ 417.4
Cost of products sold	319.5	290.4
Gross profit	149.1	127.0
Selling, general and administrative expenses	105.3	89.3
Interest expense	3.0	1.8
Other (income) expense - net	(29.1)	2.2
	69.9	33.7
Provision for income taxes	22.4	9.5
Earnings from continuing operations	47.5	24.2
Discontinued Operations		
Earnings from discontinued EPC operations, less provision for income taxes of \$5.7 in 2011	-	16.8
Net earnings	\$ 47.5	\$ 41.0
Net Earnings Per Share of Common Stock		
Continuing Operations	\$ 1.03	\$ 0.52
Discontinued Operations	-	0.37
Net Earnings	\$ 1.03	\$ 0.89
Diluted Net Earnings Per Share of Common Stock		
Continuing Operations	\$ 1.02	\$ 0.52
Discontinued Operations	-	0.36
Net Earnings	\$ 1.02	\$ 0.88
Dividends per share of Common Stock	\$ 0.16	\$ 0.14

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Three Months ended March 31, 2012 and 2011

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(dollars in millions)

(unaudited)

	Three Months Ended March 31	
	2012	2011
Net earnings	\$ 47.5	\$ 41.0
Other comprehensive earnings (loss)		
Foreign currency translation adjustments	2.8	3.2
Unrealized net gain (loss) on cash flow derivative instruments, less related income tax (provision) benefit of \$(0.4) in 2012, \$2.1 in 2011	0.6	(3.2)
Reversal of unrealized gain on investments less related tax benefit of \$0.7 in 2012	(1.2)	-
Comprehensive Earnings	\$ 49.7	\$ 41.0

See accompanying notes to unaudited condensed consolidated financial statements.

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2012 and December 31, 2011

(dollars in millions)

	(unaudited)	
	March 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 367.2	\$ 463.4
Marketable securities	60.9	-
Receivable from sale of securities	64.7	-
Receivables	386.7	368.4
Inventories	172.2	168.4
Deferred income taxes	32.0	24.6
Investments	-	162.4
Other current assets	23.0	21.5
Total Current Assets	1,106.7	1,208.7
Property, plant and equipment	628.5	614.0
Less accumulated depreciation	308.6	298.7
Net property, plant and equipment	319.9	315.3
Goodwill	435.1	433.8
Other intangibles	349.6	352.7
Other assets	38.9	38.5
Total Assets	\$ 2,250.2	\$ 2,349.0
Liabilities		
Current Liabilities		
Trade payables	\$ 302.8	\$ 302.5
Accrued payroll and benefits	32.8	41.9
Accrued liabilities	90.7	74.1
Product warranties	44.1	43.7
Long-term debt due within one year	18.6	18.6
Current liabilities - discontinued EPC operations	13.4	31.5
Total Current Liabilities	502.4	512.3
Long-term debt	300.6	443.0
Pension liabilities	142.1	139.5
Other liabilities	156.1	159.7
Long-term liabilities - discontinued EPC operations	8.3	8.7
Total Liabilities	1,109.5	1,263.2

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Stockholders Equity		
Class A Common Stock, \$5 par value: authorized 14,000,000 shares; issued 6,664,002 and 7,250,791	33.3	36.3
Common Stock, \$1 par value: authorized 60,000,000 shares; issued 41,012,909 and 40,426,119	41.0	40.4
Capital in excess of par value	651.0	652.5
Retained earnings	770.0	729.9
Accumulated other comprehensive loss	(298.7)	(300.9)
Treasury stock at cost	(55.9)	(72.4)
Total Stockholders Equity	1,140.7	1,085.8
Total Liabilities and Stockholders Equity	\$ 2,250.2	\$ 2,349.0

See accompanying notes to unaudited condensed consolidated financial statements

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months ended March 31, 2012 and 2011

(dollars in millions)

(unaudited)

	Three Months Ended March 31	
	2012	2011
Operating Activities		
Net earnings	\$ 47.5	\$ 41.0
Less earnings from discontinued operations	-	(16.8)
Adjustments to reconcile earnings from continuing operations to cash provided by (used in) operating activities:		
Depreciation and amortization	13.4	10.8
Gain on sale of investments	(27.2)	-
Net changes in operating assets and liabilities, net of acquisitions:		
Current assets and liabilities	(21.4)	(45.6)
Noncurrent assets and liabilities	2.7	(41.7)
Cash Provided by (Used in) Operating Activities - continuing operations	15.0	(52.3)
Cash Used in Operating Activities - discontinued operations	(18.5)	0.1
Cash Used in Operating Activities	(3.5)	(52.2)
Investing Activities		
Capital expenditures	(13.1)	(12.4)
Investment in marketable securities	(60.9)	-
Net proceeds from sale of securities	122.9	-
Cash Provided by (Used in) Investing Activities - continuing operations	48.9	(12.4)
Cash Used in Investing Activities - discontinued operations	-	(3.1)
Cash Provided by (Used in) Investing Activities	48.9	(15.5)
Financing Activities		
Long-term debt (retired) incurred	(143.1)	77.2
Common stock repurchases	-	(5.7)
Net proceeds from stock option activity	8.8	7.9
Dividends paid	(7.3)	(6.4)
Cash (Used in) Provided by Financing Activities - continuing operations	(141.6)	73.0
Cash Provided by Financing Activities - discontinued operations	-	-
Cash (Used in) Provided by Financing Activities	(141.6)	73.0

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Net (decrease) increase in cash and cash equivalents	(96.2)	5.3
Cash and cash equivalents - beginning of period	463.4	118.9