

CUMMINS INC
Form 8-K
July 30, 2009
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report: July 30, 2009

CUMMINS INC.

(Exact name of registrant as specified in its charter)

Indiana

1-4949

35-0257090

(State or other Jurisdiction of
Incorporation)

(Commission File Number)

(I.R.S. Employer Identification
No.)

500 Jackson Street

P. O. Box 3005

Columbus, IN 47202-3005

(Principal Executive Office) (Zip Code)

Registrant's telephone number, including area code: **(812) 377-5000**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On July 30, 2009, Cummins Inc. issued a press release regarding its release of first quarter results.

Item 7.01. Regulation FD Disclosure

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition" and Item 7.01, "Regulation FD Disclosure."

On July 30, 2009, Cummins Inc. ("Cummins," "the Company," "the registrant," "we," "our," or "us") issued the attached press release reporting its financial results for the second quarter of 2009. A copy of Cummins' press release is attached hereto as Exhibit 99 and hereby incorporated by reference.

Item 9.01. Financial Statements and Exhibits.

(d) The following exhibit is furnished herewith:

99-Press Release dated July 30, 2009

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 30, 2009

CUMMINS INC.

/s/ Marsha L. Hunt

Marsha L. Hunt

Vice President - Corporate Controller

(Principal Accounting Officer)

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

| In millions (except per share amounts) | Three months ended | | |
|---|--------------------|-------------------|------------------|
| | June 28, 2009 | March 29, 2009 | June 29, 2008 |
| NET SALES | \$ 2,431 | \$ 2,439 | \$ 3,887 |
| Cost of sales | 1,983 | 1,994 | 3,008 |
| GROSS MARGIN | 448 | 445 | 879 |
| OPERATING EXPENSES AND INCOME | | | |
| Selling, general and administrative expenses | 287 | 300 | 370 |
| Research, development and engineering expenses | 79 | 85 | 104 |
| Equity, royalty and interest income from investees | 57 | 33 | 69 |
| Restructuring charges | 7 | 66 | |
| Other operating (expense) income, net | (11 |) 2 | (6) |
| OPERATING INCOME | 121 | 29 | 468 |
| Interest income | 1 | 2 | 4 |
| Interest expense | 10 | 7 | 12 |
| Other (expense) income, net | (13 |) (3 |) (3) |
| INCOME BEFORE INCOME TAXES | 99 | 21 | 457 |
| Income tax expense | 29 | 7 | 147 |
| NET INCOME | 70 | 14 | 310 |
| Less: net income attributable to noncontrolling interests | 14 | 7 | 17 |
| NET INCOME ATTRIBUTABLE TO CUMMINS INC. | \$ 56 | \$ 7 | \$ 293 |
| EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC. | | | |
| Basic | \$ 0.28 | \$ 0.04 | \$ 1.50 |
| Diluted | \$ 0.28 | \$ 0.04 | \$ 1.49 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | | |
| Basic | 197.1 | 196.8 | 195.2 |
| Diluted | 197.4 | 197.0 | 196.6 |
| CASH DIVIDENDS DECLARED PER COMMON SHARE | | | |
| | \$ 0.175 | \$ 0.175 | \$ 0.125 |

- (a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America (GAAP).
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CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

| In millions (except per share amounts) | Six months ended | |
|---|------------------|------------------|
| | June 28, 2009 | June 29, 2008 |
| NET SALES | \$ 4,870 | \$ 7,361 |
| Cost of sales | 3,977 | 5,775 |
| GROSS MARGIN | 893 | 1,586 |
| OPERATING EXPENSES AND INCOME | | |
| Selling, general and administrative expenses | 587 | 721 |
| Research, development and engineering expenses | 164 | 207 |
| Equity, royalty and interest income from investees | 90 | 136 |
| Restructuring charges | 73 | |
| Other operating (expense) income, net | (9) | (7) |
| OPERATING INCOME | 150 | 787 |
| Interest income | 3 | 10 |
| Interest expense | 17 | 23 |
| Other (expense) income, net | (16) | (13) |
| INCOME BEFORE INCOME TAXES | 120 | 761 |
| Income tax expense | 36 | 249 |
| NET INCOME | 84 | 512 |
| Less: net income attributable to noncontrolling interests | 21 | 29 |
| NET INCOME ATTRIBUTABLE TO CUMMINS INC. | \$ 63 | \$ 483 |
| EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC. | | |
| Basic | \$ 0.32 | \$ 2.47 |
| Diluted | \$ 0.32 | \$ 2.46 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | |
| Basic | 197.0 | 195.1 |
| Diluted | 197.2 | 196.5 |

| | | |
|---|---------|---------|
| CASH DIVIDENDS DECLARED PER COMMON SHARE | \$ 0.35 | \$ 0.25 |
|---|---------|---------|

- (a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.
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CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (a)

| In millions (except par value) | June 28, 2009 | December 31, 2008 |
|--|------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 534 | \$ 426 |
| Marketable securities | 17 | 77 |
| Accounts and notes receivable, net | 1,725 | 1,782 |
| Inventories | 1,535 | 1,783 |
| Deferred income taxes | 364 | 347 |
| Prepaid expenses and other current assets | 198 | 298 |
| Total current assets | 4,373 | 4,713 |
| Long-term assets | | |
| Property, plant and equipment | 4,681 | 4,539 |
| Accumulated depreciation | (2,821) | (2,698) |
| Property, plant and equipment, net | 1,860 | 1,841 |
| Investments and advances related to equity method investees | 527 | 588 |
| Goodwill | 362 | 362 |
| Other intangible assets, net | 241 | 223 |
| Deferred income taxes | 499 | 491 |
| Other assets | 259 | 301 |
| Total assets | \$ 8,121 | \$ 8,519 |
| LIABILITIES | | |
| Current liabilities | | |
| Current portion of long-term debt and loans payable | \$ 63 | \$ 69 |
| Accounts payable (principally trade) | 773 | 1,009 |
| Current portion of accrued product warranty | 373 | 434 |
| Accrued compensation, benefits and retirement costs | 283 | 364 |
| Other accrued expenses | 622 | 763 |
| Total current liabilities | 2,114 | 2,639 |
| Long-term liabilities | | |
| Long-term debt | 617 | 629 |
| Pensions | 561 | 574 |
| Postretirement benefits other than pensions | 442 | 452 |
| Other liabilities and deferred revenue | 792 | 745 |
| Total liabilities | 4,526 | 5,039 |
| EQUITY | | |
| Cummins Inc. shareholders' equity | | |
| Common stock, \$2.50 par value, 500 shares authorized, 222.1 and 221.7 shares issued | 1,796 | 1,793 |
| Retained earnings | 3,280 | 3,288 |
| Treasury stock, at cost, 20.3 and 20.4 shares | (714) | (715) |

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| | | |
|---|--------------|--------------|
| Common stock held by employee benefits trust, at cost, 4.8 and 5.1 shares | (58) | (61) |
| Unearned compensation | (1) | (5) |
| Accumulated other comprehensive loss | | |
| Defined benefit postretirement plans | (794) | (798) |
| Other | (137) | (268) |
| Total accumulated other comprehensive loss | (931) | (1,066) |
| Total Cummins Inc. shareholders' equity | 3,372 | 3,234 |
| Noncontrolling interests | 223 | 246 |
| Total equity | 3,595 | 3,480 |
| Total liabilities and equity | \$ 8,121 | \$ 8,519 |

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (a)

| In millions | Six months ended | |
|---|------------------|------------------|
| | June 28, 2009 | June 29, 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 84 | \$ 512 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Restructuring charges, net of cash payments | 20 | |
| Depreciation and amortization | 154 | 158 |
| Deferred income taxes | 20 | 14 |
| Equity in income of investees, net of dividends | 60 | (62) |
| Pension expense, net of pension contributions | (15) | (3) |
| Other post-retirement benefits expense, net of cash payments | (16) | (5) |
| Stock-based compensation expense | 12 | 17 |
| Excess tax deficiencies (benefits) on stock-based awards | 2 | (12) |
| Translation and hedging activities | 51 | 8 |
| Changes in current assets and liabilities, net of acquisitions and dispositions: | | |
| Accounts and notes receivable | 86 | (316) |
| Inventories | 282 | (202) |
| Other current assets | 22 | (16) |
| Accounts payable | (253) | 172 |
| Accrued expenses | (242) | 102 |
| Changes in long-term liabilities | 73 | 47 |
| Other, net | (19) | (8) |
| Net cash provided by operating activities | 321 | 406 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (139) | (201) |
| Investments in internal use software | (19) | (36) |
| Proceeds from disposals of property, plant and equipment | 7 | 10 |
| Investments in and advances (to) from equity investees | 1 | (41) |
| Acquisition of businesses, net of cash acquired | (2) | (76) |
| Investments in marketable securities acquisitions | (69) | (158) |
| Investments in marketable securities liquidations | 133 | 159 |
| Cash flows from derivatives not designated as hedges | (21) | (18) |
| Other, net | | 5 |
| Net cash used in investing activities | (109) | (356) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 10 | 77 |
| Payments on borrowings and capital lease obligations | (44) | (101) |
| Net borrowings under short-term credit agreements | (5) | 1 |
| Distributions to noncontrolling interests | (10) | (6) |
| Dividend payments on common stock | (71) | (51) |

| | | | |
|---|------------|------------|---------------|
| Repurchases of common stock | | (45 |) |
| Excess tax (deficiencies) benefits on stock-based awards | (2 |) | 12 |
| Other, net | 3 | | 2 |
| Net cash used in financing activities | (119 |) | (111 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 15 | | 6 |
| Net increase (decrease) in cash and cash equivalents | 108 | | (55 |
| Cash and cash equivalents at beginning of year | 426 | | 577 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ | 534 | \$ 522 |

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

SEGMENT INFORMATION

(Unaudited)

| In millions | Engine | Power Generation | Components | Distribution | Non-segment items(1) | Total |
|---|----------|---------------------|------------|--------------|-------------------------|----------|
| Three months ended June 28, 2009 | | | | | | |
| External sales | \$ 1,133 | \$ 481 | \$ 355 | \$ 462 | \$ | \$ 2,431 |
| Intersegment sales | 173 | 129 | 147 | 1 | (450) | |
| Total sales | 1,306 | 610 | 502 | 463 | (450) | 2,431 |
| Depreciation and amortization(2) | 45 | 11 | 17 | 4 | | 77 |
| Research, development and engineering expense | 51 | 8 | 20 | | | 79 |
| Equity, royalty and interest income from investees | 17 | 6 | 4 | 30 | | 57 |
| Restructuring charges | | | | | 7 | 7 |
| Interest income | | | | 1 | | 1 |
| Segment EBIT | (4) | 41 | (10) | 55 | 27 | 109 |
| Three months ended March 29, 2009 | | | | | | |
| External sales | \$ 1,205 | \$ 477 | \$ 346 | \$ 411 | \$ | \$ 2,439 |
| Intersegment sales | 287 | 180 | 184 | 2 | (653) | |
| Total sales | 1,492 | 657 | 530 | 413 | (653) | 2,439 |
| Depreciation and amortization(2) | 41 | 11 | 18 | 5 | | 75 |
| Research, development and engineering expense | 58 | 8 | 19 | | | 85 |
| Equity, royalty and interest (loss) income from investees | (3) | 5 | 1 | 30 | | 33 |
| Restructuring charges | | | | | 66 | 66 |
| Interest income | 1 | 1 | | | | 2 |
| Segment EBIT | (16) | 69 | 1 | 58 | (84) | 28 |
| Three months ended June 29, 2008 | | | | | | |
| External sales | \$ 2,030 | \$ 692 | \$ 584 | \$ 581 | \$ | \$ 3,887 |
| Intersegment sales | 356 | 246 | 271 | | (873) | |
| Total sales | 2,386 | 938 | 855 | 581 | (873) | 3,887 |
| Depreciation and amortization(2) | 46 | 11 | 18 | 7 | | 82 |
| Research, development and engineering expense | 70 | 10 | 24 | | | 104 |
| Equity, royalty and interest | 32 | 6 | 3 | 28 | | 69 |

| | | | | | | |
|------------------------------|-----|-----|----|----|-------|-----|
| income from investees | | | | | | |
| Interest income | 2 | 1 | 1 | | | 4 |
| Segment EBIT | 221 | 115 | 77 | 68 | (12) | 469 |

**Six months ended June 28,
2009**

| | | | | | | |
|--|----------|--------|--------|--------|----------|----------|
| External sales | \$ 2,338 | \$ 958 | \$ 701 | \$ 873 | \$ | \$ 4,870 |
| Intersegment sales | 460 | 309 | 331 | 3 | (1,103) | |
| Total sales | 2,798 | 1,267 | 1,032 | 876 | (1,103) | 4,870 |
| Depreciation and amortization ⁽²⁾ | 86 | 22 | 35 | 9 | | 152 |
| Research, development and engineering expense | 109 | 16 | 39 | | | 164 |
| Equity, royalty and interest income from investees | 14 | 11 | 5 | 60 | | 90 |
| Restructuring charges | | | | | 73 | 73 |
| Interest income | 1 | 1 | | 1 | | 3 |
| Segment EBIT | (20) | 110 | (9) | 113 | (57) | 137 |

**Six months ended June 29,
2008**

| | | | | | | |
|--|----------|----------|----------|----------|----------|----------|
| External sales | \$ 3,915 | \$ 1,273 | \$ 1,151 | \$ 1,022 | \$ | \$ 7,361 |
| Intersegment sales | 680 | 452 | 524 | 4 | (1,660) | |
| Total sales | 4,595 | 1,725 | 1,675 | 1,026 | (1,660) | 7,361 |
| Depreciation and amortization ⁽²⁾ | 90 | 22 | 33 | 11 | | 156 |
| Research, development and engineering expense | 140 | 20 | 47 | | | 207 |
| Equity, royalty and interest income from investees | 65 | 11 | 7 | 53 | | 136 |
| Interest income | 5 | 2 | 2 | 1 | | 10 |
| Segment EBIT | 415 | 193 | 114 | 117 | (55) | 784 |

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. For the three and six months ended June 28, 2009, unallocated corporate expenses included restructuring charges of \$7 million and \$73 million and losses of \$9 million and \$3 million related to flood damages. For the three months ended March 29, 2009, unallocated corporate expenses include restructuring charges of \$66 million and a \$6 million gain related to flood damage insurance recoveries. For both the three and six months ended June 29, 2008, unallocated corporate expenses included losses of \$6 million related to flood damages.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount that is included in the *Condensed Consolidated Statements of Income* as Interest expense.

CUMMINS INC. AND SUBSIDIARIES

RECONCILIATION OF SEGMENT INFORMATION

(Unaudited)

A reconciliation of our segment information to the corresponding amounts in the *Condensed Consolidated Statements of Income* is shown in the table below:

| In millions | Three months ended | | June 29, 2008 | Six months ended | |
|----------------------------|--------------------|----------------------|------------------|------------------|------------------|
| | June 28, 2009 | March 29, 2009 | | June 28, 2009 | June 29, 2008 |
| Segment EBIT | \$ 109 | \$ 28 | \$ 469 | \$ 137 | \$ 784 |
| Less: | | | | | |
| Interest expense | 10 | 7 | 12 | 17 | 23 |
| Income before income taxes | \$ 99 | \$ 21 | \$ 457 | \$ 120 | \$ 761 |

FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Earnings before interest, taxes, noncontrolling interests and restructuring charges

We define EBIT as earnings or loss before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries (EBIT). We use EBIT to assess and measure the performance of our operating segments and also as a component in measuring our variable compensation programs. Below is a reconciliation of EBIT, a non-GAAP financial measure, to consolidated net income attributable to Cummins Inc., for each of the applicable periods:

| In millions | Three months ended | | Six months ended | | |
|---|---------------------|----------------------|---------------------|---------------------|------------------|
| | June 28, 2009 | March 29, 2009 | June 29, 2008 | June 28, 2009 | June 29, 2008 |
| Earnings before interest expense, income taxes and restructuring charges | \$ 116 | \$ 94 | \$ 469 | \$ 210 | \$ 784 |
| Earnings before interest expense, income taxes and restructuring charges as a percentage of sales | 4.8% | 3.9% | 12.1% | 4.3% | 10.7% |
| Less: | | | | | |
| Restructuring charges | 7 | 66 | | 73 | |
| Earnings before interest and income taxes | \$ 109 | \$ 28 | \$ 469 | \$ 137 | \$ 784 |

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| | | | | | | | | | | |
|---|-------|---|------|---|--------|---|-------|---|--------|---|
| <i>EBIT as a percentage of net sales</i> | 4.5 | % | 1.1 | % | 12.1 | % | 2.8 | % | 10.7 | % |
| Less: | | | | | | | | | | |
| Interest expense | 10 | | 7 | | 12 | | 17 | | 23 | |
| Income tax expense | 29 | | 7 | | 147 | | 36 | | 249 | |
| Net income | 70 | | 14 | | 310 | | 84 | | 512 | |
| Less: | | | | | | | | | | |
| Net income attributable to noncontrolling interests | 14 | | 7 | | 17 | | 21 | | 29 | |
| Net income attributable to Cummins Inc. | \$ 56 | | \$ 7 | | \$ 293 | | \$ 63 | | \$ 483 | |
| <i>Net income attributable to Cummins Inc. as a percentage of net sales</i> | 2.3 | % | 0.3 | % | 7.5 | % | 1.3 | % | 6.6 | % |

CUMMINS INC. AND SUBSIDIARIES**FINANCIAL MEASURES THAT SUPPLEMENT GAAP****(Unaudited)****Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding restructuring charges**

We believe this is a useful measure of our operating performance for the period presented as it illustrates our operating performance without regard to restructuring. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America and may not be consistent with measures used by other companies. It should be considered supplemental data.

| In millions | Three months ended June 28, 2009 | | Six months ended June 28, 2009 | |
|---|-------------------------------------|-------------|-----------------------------------|-------------|
| | Net Income | Diluted EPS | Net Income | Diluted EPS |
| Net income attributable to Cummins Inc. excluding restructuring charges | \$ 60 | \$ 0.30 | \$ 111 | \$ 0.56 |
| Less: | | | | |
| Restructuring charges, net ⁽¹⁾ | 4 | 0.02 | 48 | 0.24 |
| Net income attributable to Cummins Inc. | \$ 56 | \$ 0.28 | \$ 63 | \$ 0.32 |

(1) During the three and six months ended June 28, 2009, management approved and committed to undertake certain restructuring actions, which resulted in a pretax charge of \$7 and \$73 million, respectively. These charges included employee-related liabilities for severance and benefits of approximately \$8 million and \$68 million and exit costs of approximately zero and \$6 million, respectively.

SUPPLEMENTAL INFORMATION

In 2009, the Power Generation segment reorganized its reporting structure to include the following businesses: Commercial Products, Alternators, Commercial Projects, Power Electronics and Consumer. Sales by quarter for our Power Generation segment by business for the years 2008 and 2007 were as follows:

| 2008 | Three months ended | | | Year ended | |
|---------------------|--------------------|---------------|--------------------|-------------------|-------------------|
| | March 30, 2008 | June 29, 2008 | September 28, 2008 | December 31, 2008 | December 31, 2008 |
| In millions | | | | | |
| Commercial Products | \$ 444 | \$ 555 | \$ 559 | \$ 558 | \$ 2,116 |
| Alternator | 156 | 178 | 174 | 178 | 686 |
| Commercial Projects | 86 | 111 | 63 | 68 | 328 |

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| | | | | | |
|-------------------|--------|--------|--------|--------|----------|
| Power Electronics | 27 | 31 | 35 | 39 | 132 |
| Consumer | 74 | 63 | 57 | 44 | 238 |
| Total sales | \$ 787 | \$ 938 | \$ 888 | \$ 887 | \$ 3,500 |

| 2007 | Three months ended | | | Year ended | |
|---------------------|--------------------|--------------|--------------------|-------------------|-------------------|
| | April 1, 2007 | July 1, 2007 | September 30, 2007 | December 31, 2007 | December 31, 2007 |
| In millions | | | | | |
| Commercial Products | \$ 383 | \$ 448 | \$ 449 | \$ 481 | \$ 1,761 |
| Alternator | 132 | 156 | 163 | 172 | 623 |
| Commercial Projects | 45 | 44 | 49 | 81 | 219 |
| Power Electronics | 26 | 26 | 28 | 28 | 108 |
| Consumer | 89 | 95 | 87 | 78 | 349 |
| Total sales | \$ 675 | \$ 769 | \$ 776 | \$ 840 | \$ 3,060 |