OSHKOSH CORP
Form 10-Q
August 01, 2008

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 quarterly period ended June 30, 2008

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: 1-31371

Oshkosh Corporation

(Exact name of registrant as specified in its charter)

Wisconsin	**39-0520270**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
P.O. Box 2566 Oshkosh, Wisconsin	**54903-2566**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: **(920) 235-9151**

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 [_]

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ]	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 [X]

As of July 30, 2008, 74,533,337 shares of the Registrant s Common Stock were outstanding.

OSHKOSH CORPORATION
FORM 10-Q INDEX
FOR THE QUARTER ENDED JUNE 30, 2008

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OSHKOSH CORPORATION
Condensed Consolidated Statements of Income
(In millions, except per share amounts; unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Net sales	$ 1,969.3	$ 1,847.3	$ 5,241.8	$ 4,514.9
Cost of sales	1,641.1	1,518.9	4,338.4	3,739.4
Gross income	328.2	328.4	903.4	775.5
Operating expenses:				
Selling, general and administrative	129.8	117.4	391.4	320.3
Amortization of purchased intangibles	17.2	18.3	52.6	44.1
Intangible asset impairment charges	175.2	--	175.2	--
Total operating expenses	322.2	135.7	619.2	364.4
Operating income	6.0	192.7	284.2	411.1
Other income (expense):				
Interest expense	(51.1)	(59.0)	(162.5)	(142.9)
Interest income	1.7	2.6	5.1	5.4
Miscellaneous, net	(2.9)	1.6	(8.5)	2.1
	(52.3)	(54.8)	(165.9)	(135.4)
(Loss) income before provision for income taxes, equity in earnings of unconsolidated affiliates and minority interest	(46.3)	137.9	118.3	275.7
Provision for income taxes	40.3	49.6	99.3	99.2
(Loss) income before equity in earnings of unconsolidated affiliates and minority interest	(86.6)	88.3	19.0	176.5
Equity in earnings of unconsolidated affiliates, net of income taxes	1.9	2.1	5.6	6.0
Minority interest, net of income taxes	0.4	0.2	1.0	0.2
Net (loss) income	$ (84.3)	$ 90.6	$ 25.6	$ 182.7
(Loss) earnings per share				
Basic	$ (1.14)	$ 1.23	$ 0.35	$ 2.49
Diluted	$ (1.14)	$ 1.21	$ 0.34	$ 2.44

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

3

OSHKOSH CORPORATION
Condensed Consolidated Balance Sheets
(In millions, except share and per share amounts; unaudited)

	June 30, 2008	September 30, 2007
Assets		

	June 30, 2008	September 30, 2007
Current assets:		
Cash and cash equivalents	$ 49.9	$ 75.2
Receivables, net	1,113.6	1,076.2
Inventories, net	1,183.2	909.5
Deferred income taxes	75.8	77.5
Other current assets	64.9	56.5
Total current assets	2,487.4	2,194.9
Investment in unconsolidated affiliates	38.8	35.1
Property, plant and equipment, net	440.3	429.6
Goodwill, net	2,342.6	2,435.4
Purchased intangible assets, net	1,105.9	1,162.1
Other long-term assets	149.8	142.7
Total assets	$ 6,564.8	$ 6,399.8
Liabilities and Shareholders Equity		
Current liabilities:		
Revolving credit facility and current maturities of long-term debt	$ 62.4	$ 81.5
Accounts payable	688.2	628.1
Customer advances	377.3	338.0
Payroll-related obligations	100.9	105.0
Income taxes payable	31.5	64.0
Accrued warranty	90.6	88.2
Other current liabilities	234.2	243.2
Total current liabilities	1,585.1	1,548.0
Long-term debt, less current maturities	2,914.1	2,975.6
Deferred income taxes	329.7	340.1
Other long-term liabilities	230.8	138.7
Commitments and contingencies		
Minority interest	3.2	3.8
Shareholders equity:		
Preferred stock ($.01 par value; 2,000,000 shares authorized; none issued and outstanding)	--	--
Common Stock ($.01 par value; 300,000,000 shares authorized; 74,537,671 and 74,235,751 issued, respectively)	0.7	0.7
Additional paid-in capital	246.4	229.2
Retained earnings	1,036.7	1,036.3
Accumulated other comprehensive income	218.1	129.0
Common Stock in treasury, at cost (4,334 and 28,073 shares, respectively)	--	(1.6)
Total shareholders equity	1,501.9	1,393.6
Total liabilities and shareholders equity	$ 6,564.8	$ 6,399.8

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

OSHKOSH CORPORATION
Condensed Consolidated Statement of Shareholders Equity
(In millions, except per share amounts; unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock in Treasury at Cost	Total
Balance at September 30, 2007	$ 0.7	$ 229.2	$ 1,036.3	$ 129.0	$ (1.6)	$ 1,393.6
Net income	--	--	25.6	--	--	25.6
Change in fair value of derivative hedging instruments, net of tax of $11.4	--	--	--	(17.5)	--	(17.5)
Minimum pension liability adjustment, net of tax of $0.8	--	--	--	1.3	--	1.3
Currency translation adjustments	--	--	--	105.3	--	105.3
Cash dividends ($0.30 per share)	--	--	(22.3)	--	--	(22.3)
Exercise of stock options	--	2.8	--	--	1.6	4.4
Tax benefit related to stock options exercised	--	3.6	--	--	--	3.6
Stock-based compensation expense related to employee stock-based awards	--	10.8	--	--	--	10.8
Adjustment to initially adopt Financial Accounting Standards Interpretation No. 48 - See Note 15	--	--	(2.9)	--	--	(2.9)
Balance at June 30, 2008	$ 0.7	$ 246.4	$ 1,036.7	$ 218.1	$ --	$ 1,501.9

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

OSHKOSH CORPORATION
Condensed Consolidated Statements of Cash Flows
(In millions; unaudited)

	Nine Months Ended June 30, 2008	2007
Operating activities:		
Net income	$ 25.6	$ 182.7
Non-cash impairment charges	175.2	--
Other non-cash adjustments	118.6	79.0
Changes in operating assets and liabilities	(200.5)	52.6
Net cash provided by operating activities	118.9	314.3

	Nine Months Ended June 30,	
Investing activities:		
Acquisition of business, net of cash acquired	--	(3,140.5)
Additions to property, plant and equipment	(56.1)	(56.1)
Additions to equipment held for rental	(13.8)	(15.8)
Proceeds from sale of property, plant and equipment	3.7	0.6
Proceeds from sale of equipment held for rental	9.5	4.0
Distribution of capital from unconsolidated affiliates	1.2	2.2
Decrease (increase) in other long-term assets	0.2	(3.5)
Net cash used by investing activities	(55.3)	(3,209.1)
Financing activities:		
Proceeds from issuance of long-term debt	--	3,100.0
Debt issuance costs	--	(34.9)
Repayment of long-term debt	(77.0)	(39.5)
Net repayments under revolving credit facility	(0.5)	(82.4)
Proceeds from exercise of stock options	4.4	5.5
Excess tax benefits from stock-based compensation	3.0	5.2
Dividends paid	(22.3)	(22.2)
Net cash (used) provided by financing activities	(92.4)	2,931.7
Effect of exchange rate changes on cash	3.5	1.1
(Decrease) increase in cash and cash equivalents	(25.3)	38.0
Cash and cash equivalents at beginning of period	75.2	22.0
Cash and cash equivalents at end of period	$ 49.9	$ 60.0
Supplementary disclosures:		
Depreciation and amortization	$ 110.6	$ 91.3
Cash paid for interest	161.1	123.8
Cash paid for income taxes	100.2	22.9

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

OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows of Oshkosh Corporation (the Company) for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended September 30, 2007. The interim results are not necessarily indicative of results for the full year.

New Accounting Standards Effective October 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109. FIN 48 provides guidance for the recognition, derecognition and measurement in financial statements of tax positions taken in previously filed tax returns or tax positions expected to be taken in tax returns. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more likely than not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than fifty percent likely of being realized upon ultimate settlement. See Note 15 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the effect of the adoption of FIN 48.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 clarifies the definition of exchange price as the price between market participants in an orderly transaction to sell an asset or transfer a liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The Company will be required to adopt SFAS No. 157 as of October 1, 2008. The Company is currently evaluating the impact of SFAS No. 157 on the Company s financial condition, results of operations and cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, which permits entities to choose to measure many financial instruments and certain other items at fair value. The Company will be required to adopt SFAS No. 159 as of October 1, 2008. The Company has not yet determined whether it will elect to measure any of its financial assets and financial liabilities at fair value as permitted by SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, which requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, at their fair values as of that date. The Company will be required to adopt SFAS No. 141R as of October 1, 2009. The Company is currently evaluating the impact of SFAS No. 141R on the Company s financial condition, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company will be required to adopt SFAS No. 160 as of October 1, 2009. The Company is currently evaluating the impact of SFAS No. 160 on the Company s financial condition, results of operations and cash flows.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133, which enhances disclosures of derivative instruments, including those used in hedging activities. The Company will be required to adopt SFAS No. 161 as of January 1, 2009. The adoption of SFAS No. 161 will not have a material impact on the Company s financial condition, results of operations or cash flows.

OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

2. Acquisitions

On December 6, 2006, the Company acquired for cash all of the outstanding shares of JLG Industries, Inc. (JLG), a leading global manufacturer of aerial work platforms and telehandlers. The total purchase price for JLG was $3.14 billion, net of cash acquired of $176.4 million and including transaction costs of $30.3 million and retirement of debt of $224.4 million. The Company financed the acquisition of JLG and the retirement of $79.6 million of debt outstanding under an existing credit facility with proceeds from a new $3.65 billion senior secured credit facility (see Note 8 of the Notes to Condensed Consolidated Financial Statements). JLG results of operations have been included in the Company s consolidated financial statements since the date of acquisition. JLG forms the Company s access equipment segment.

The acquisition of JLG enabled the Company to: diversify its product offerings and markets served to complement its defense business; balance the economic and geopolitical cycles faced by the Company; expand the Company s global reach to better compete in its existing markets; and increase scale in procurement and other functions.

The following table summarizes the fair values of the JLG assets acquired and liabilities assumed at the date of acquisition (in millions):

Assets Acquired:	
Current assets, excluding cash of $176.4	$ 854.4
Property, plant and equipment	159.0
Goodwill	1,819.9
Purchased intangible assets	970.6
Other long-term assets	85.9

T