

SMITH A O CORP  
Form 10-Q  
August 04, 2010  
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UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2010.

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)

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

**11270 West Park Place, Milwaukee, Wisconsin**  
(Address of principal executive office)

**53224-9508**  
(Zip Code)

**(414)359-4000**

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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 July 30, 2010 5,009,313 shares

Common Stock Outstanding as of July 30, 2010 25,514,752 shares

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**A. O. Smith Corporation**

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## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three and Six Months ended June 30, 2010 and 2009

(dollars in millions, except for per share data)

(unaudited)

|   | Three Months Ended<br>June 30 |          | Six Months Ended<br>June 30 |          |
|---|-------------------------------|----------|-----------------------------|----------|
|   | 2010                          | 2009     | 2010                        | 2009     |
| Water Products  | \$ 374.9                      | \$ 337.1 | \$ 741.7                    | \$ 676.1 |
| Electrical Products   | 198.3                         | 162.4    | 356.1                       | 306.1    |
| Inter-segment sales   | (0.7)                         | (0.8)    | (1.9)                       | (1.8)    |
| Net sales   | 572.5                         | 498.7    | 1,095.9                     | 980.4    |
| Cost of products sold                                       | 414.2                         | 376.3    | 793.0                       | 756.5    |
| Gross profit  | 158.3                         | 122.4    | 302.9                       | 223.9    |
| Selling, general and administrative expenses                | 104.0                         | 88.6     | 201.5                       | 173.3    |
| Flood related expense                                       | 34.2                          | -        | 34.2                        | -        |
| Restructuring and other charges/(income)                    | (0.4)                         | -        | 0.5                         | 1.5      |
| Interest expense  | 2.7                           | 3.1      | 5.3                         | 6.3      |
| Other (income) expense - net                                | (0.6)                         | 0.7      | 0.7                         | 1.5      |
|   | 18.4                          | 30.0     | 60.7                        | 41.3     |
| Provision for income taxes                                  | 1.8                           | 6.1      | 13.2                        | 8.8      |
| Earnings before equity loss in joint venture                | 16.6                          | 23.9     | 47.5                        | 32.5     |
| Equity loss in joint venture                                | -                             | (0.2)    | (0.1)                       | (0.2)    |
| <b>Net earnings</b>   | 16.6                          | 23.7     | 47.4                        | 32.3     |
| Less: Net earnings attributable to noncontrolling interest  | -                             | (2.4)    | 0.1                         | (8.3)    |
| <b>Net earnings attributable to A. O. Smith Corporation</b> | \$ 16.6                       | \$ 21.3  | \$ 47.5                     | \$ 24.0  |
| <b>Earnings per Common Share</b>                            |                               |          |                             |          |
| <b>Basic</b>  | \$ 0.54                       | \$ 0.85  | \$ 1.56                     | \$ 1.38  |
| <b>Diluted</b>  | \$ 0.54                       | \$ 0.84  | \$ 1.55                     | \$ 1.38  |
| <b>Dividends to A. O. Smith Shareholders</b>                | \$ 0.195                      | \$ 0.19  | \$ 0.39                     | \$ 0.38  |

See accompanying notes to unaudited condensed consolidated financial statements



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## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2010 and December 31, 2009

(dollars in millions)

|   | (unaudited)   |                   |
|---|---------------|-------------------|
|   | June 30, 2010 | December 31, 2009 |
| <b>Assets</b>   |               |                   |
| <b>Current Assets</b>   |               |                   |
| Cash and cash equivalents   | \$ 94.0       | \$ 76.3           |
| Receivables   | 416.5         | 373.6             |
| Inventories   | 257.1         | 215.1             |
| Deferred income taxes   | 29.0          | 26.6              |
| Other current assets  | 44.9          | 48.4              |
| <b>Total Current Assets</b>   | 841.5         | 740.0             |
| Property, plant and equipment   | 971.8         | 994.6             |
| Less accumulated depreciation   | 581.0         | 582.3             |
| Net property, plant and equipment   | 390.8         | 412.3             |
| Goodwill  | 567.3         | 567.8             |
| Other intangibles   | 116.1         | 119.5             |
| Deferred income taxes   | 16.9          | 22.2              |
| Other assets  | 34.6          | 39.5              |
| <b>Total Assets</b>   | \$ 1,967.2    | \$ 1,901.3        |
| <b>Liabilities</b>  |               |                   |
| <b>Current Liabilities</b>  |               |                   |
| Short term debt   | \$ 124.4      | \$ -              |
| Trade payables  | 368.7         | 312.9             |
| Accrued payroll and benefits  | 45.9          | 51.6              |
| Accrued liabilities   | 72.4          | 67.0              |
| Product warranties  | 40.2          | 38.7              |
| Long-term debt due within one year  | 21.1          | 21.1              |
| <b>Total Current Liabilities</b>  | 672.7         | 491.3             |
| Long-term debt  | 99.2          | 232.1             |
| Pension liabilities   | 217.7         | 232.8             |
| Other liabilities   | 153.0         | 155.3             |
| <b>Total Liabilities</b>  | 1,142.6       | 1,111.5           |
| <b>Stockholders Equity</b>  |               |                   |
| Class A Common Stock, \$5 par value: authorized 14,000,000 shares; issued 5,067,066 and 5,818,107 | 25.3          | 26.2              |

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|   |                   |                   |
|---|-------------------|-------------------|
| Common Stock, \$1 par value: authorized 60,000,000 shares; issued 27,339,494 and 26,588,453 | 27.3              | 27.2              |
| Capital in excess of par value  | 666.2             | 662.7             |
| Retained earnings   | 400.9             | 365.4             |
| Accumulated other comprehensive loss  | (238.3)           | (230.9)           |
| Treasury stock at cost  | (75.8)            | (79.9)            |
| Noncontrolling interest   | 19.0              | 19.1              |
| <b>Total Stockholders Equity</b>  | <b>824.6</b>      | <b>789.8</b>      |
| <b>Total Liabilities and Stockholders Equity</b>  | <b>\$ 1,967.2</b> | <b>\$ 1,901.3</b> |

See accompanying notes to unaudited condensed consolidated financial statements

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## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six Months ended June 30, 2010 and 2009

(dollars in millions)

(unaudited)

|   | Six Months Ended<br>June 30 |               |
|---|-----------------------------|---------------|
|   | 2010                        | 2009          |
| <b>Operating Activities</b>   |                             |               |
| Net earnings  | \$ 47.4                     | \$ 32.3       |
| Adjustments to reconcile net earnings to cash provided by operating activities: |                             |               |
| Depreciation and amortization   | 32.6                        | 33.5          |
| Loss on disposal of assets  | 14.0                        | 0.5           |
| Net changes in operating assets and liabilities, net of acquisitions:           |                             |               |
| Current assets and liabilities  | (32.5)                      | 27.7          |
| Noncurrent assets and liabilities   | (11.5)                      | (3.1)         |
| Other   | -                           | 0.2           |
| <b>Cash Provided by Operating Activities</b>                                    | <b>50.0</b>                 | <b>91.1</b>   |
| <b>Investing Activities</b>   |                             |               |
| Capital expenditures  | (21.9)                      | (21.6)        |
| Net cash distributed with spin-off of discontinued businesses                   | -                           | (7.1)         |
| Acquisition of business   | -                           | (0.4)         |
| Proceeds from sale of restricted marketable securities                          | 4.6                         | 8.9           |
| Proceeds from sale of assets  | -                           | 2.5           |
| <b>Cash Used in Investing Activities</b>  | <b>(17.3)</b>               | <b>(17.7)</b> |
| <b>Financing Activities</b>   |                             |               |
| Short term debt incurred - net  | 8.6                         | -             |
| Long-term debt repaid   | (15.8)                      | (45.6)        |
| Proceeds from stock option activity   | 4.1                         | -             |
| Dividends paid  | (11.9)                      | (9.6)         |
| <b>Cash Used in Financing Activities</b>  | <b>(15.0)</b>               | <b>(55.2)</b> |