

CRANE CO /DE/  
Form 10-Q  
November 05, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

Mark One:

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

For the Quarterly Period Ended September 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: 1-1657

**CRANE CO.**

(Exact name of registrant as specified in its charter)

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

**13-1952290**  
(I.R.S. Employer  
Identification No.)

**100 First Stamford Place, Stamford, CT**  
(Address of principal executive offices)

**06902**  
(Zip Code)

Registrant's telephone number, including area code: 203-363-7300

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report)

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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 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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

The number of shares outstanding of the issuer's classes of common stock, as of October 31, 2010

Common stock, \$1.00 Par Value 58,446,627 shares

**Part I Financial Information****Item 1. Financial Statements**

Crane Co. and Subsidiaries

## Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net sales	\$ 560,714	\$ 550,710	\$ 1,643,819	\$ 1,651,339
Operating costs and expenses:				
Cost of sales	373,171	365,482	1,087,221	1,117,028
Selling, general and administrative	124,664	129,775	375,135	395,482
<b>Operating profit</b>	<b>62,879</b>	<b>55,453</b>	<b>181,463</b>	<b>138,829</b>
Other income (expense):				
Interest income	299	270	760	1,578
Interest expense	(6,738)	(6,821)	(20,121)	(20,370)
Miscellaneous - net	1,522	83	897	2,323
	(4,917)	(6,468)	(18,464)	(16,469)
<b>Income before income taxes</b>	<b>57,962</b>	<b>48,985</b>	<b>162,999</b>	<b>122,360</b>
Provision for income taxes	16,359	13,832	48,049	35,973
<b>Net income before allocation to noncontrolling interests</b>	<b>41,603</b>	<b>35,153</b>	<b>114,950</b>	<b>86,387</b>
Less: Noncontrolling interest in subsidiaries earnings	96	45	168	202
<b>Net income attributable to common shareholders</b>	<b>\$ 41,507</b>	<b>\$ 35,108</b>	<b>\$ 114,782</b>	<b>\$ 86,185</b>
Earnings per basic share	\$ 0.71	\$ 0.60	\$ 1.96	\$ 1.47
Earnings per diluted share	\$ 0.70	\$ 0.60	\$ 1.92	\$ 1.47
Average basic shares outstanding	58,608	58,472	58,710	58,462
Average diluted shares outstanding	59,525	58,842	59,645	58,703
Dividends per share	\$ 0.23	\$ 0.20	\$ 0.63	\$ 0.60

*See Notes to Condensed Consolidated Financial Statements.*

## Crane Co. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in thousands)

(Unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 315,564	\$ 372,714
Accounts receivable, net	330,681	282,463
Current insurance receivable - asbestos	35,300	35,300
Inventories, net:		
Finished goods	86,667	88,555
Finished parts and subassemblies	30,912	23,844
Work in process	72,728	53,126
Raw materials	124,984	119,027
Inventories, net	315,291	284,552
Current deferred tax asset	59,259	58,856
Other current assets	14,817	12,461
Total current assets	1,070,912	1,046,346
Property, plant and equipment:		
Cost	798,672	771,147
Less: accumulated depreciation	525,185	485,923
Property, plant and equipment, net	273,487	285,224
Long-term insurance receivable - asbestos	187,420	213,004
Long-term deferred tax assets	173,249	204,386
Other assets	87,363	83,229
Intangible assets, net	124,894	118,731
Goodwill	778,180	761,978
Total assets	\$ 2,695,505	\$ 2,712,898

*See Notes to Condensed Consolidated Financial Statements.*

## Crane Co. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

(Unaudited)

	September 30, 2010	December 31, 2009
Liabilities and equity		
Current liabilities:		
Short-term borrowings	\$ 1,424	\$ 1,078
Accounts payable	155,286	142,390
Current asbestos liability	100,300	100,300
Accrued liabilities	224,066	218,864
U.S. and foreign taxes on income	4,365	4,150
Total current liabilities	485,441	466,782
Long-term debt	398,691	398,557
Accrued pension and postretirement benefits	113,078	141,849
Long-term deferred tax liability	38,521	29,578
Long-term asbestos liability	651,476	720,713
Other liabilities	49,162	61,717
Total liabilities	1,736,369	1,819,196
Commitments and contingencies (Note 9)		
Equity:		
Preferred shares, par value \$.01; 5,000,000 shares authorized	0	0
Common stock, par value \$1.00; 200,000,000 shares authorized, 72,426,139 shares issued	72,426	72,426
Capital surplus	169,073	161,409
Retained earnings	1,100,602	1,022,838
Accumulated other comprehensive (loss) income	(5,253)	5,130
Treasury stock	(385,832)	(376,041)
Total shareholders' equity	951,016	885,762
Noncontrolling interest	8,120	7,940
Total equity	959,136	893,702
Total liabilities and equity	\$ 2,695,505	\$ 2,712,898
Common stock issued	72,426,139	72,426,139
Less: Common stock held in treasury	(14,030,507)	(13,899,389)
Common stock outstanding	58,395,632	58,526,750

See Notes to Condensed Consolidated Financial Statements.

## Crane Co. and Subsidiaries

## Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2010	2009
<b>Operating activities:</b>		
Net income attributable to common shareholders	\$ 114,782	\$ 86,185
Noncontrolling interest in subsidiaries earnings	168	202
Net income before allocation to noncontrolling interests	114,950	86,387
Gain on divestitures	(1,015)	
Depreciation and amortization	44,596	43,857
Stock-based compensation expense	9,650	6,702
Deferred income taxes	30,913	14,891
Cash (used for) provided by working capital	(56,367)	13,037
Payments for asbestos-related fees and costs, net of insurance recoveries	(43,652)	(34,788)
Other	(39,772)	(4,361)
Total provided by operating activities	59,303	125,725
<b>Investing activities:</b>		
Capital expenditures	(13,589)	(21,259)
Proceeds from disposition of capital assets	185	3,326
Proceeds from divestitures	4,615	
Payment for acquisition, net of cash acquired	(51,167)	
Total used for investing activities	(59,956)	(17,933)
<b>Financing activities:</b>		
<b>Equity:</b>		
Dividends paid	(37,011)	(35,079)
Reacquisition of shares on open market	(29,989)	
Stock options exercised - net of shares reacquired	16,351	(299)
Excess tax benefit from stock-based compensation	1,820	131
<b>Debt:</b>		