

SMITH A O CORP
Form 10-Q
November 04, 2010
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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 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 1-475

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 October 29, 2010 4,969,487 shares

Common Stock Outstanding as of October 29, 2010 25,571,579 shares

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three and Nine Months ended September 30, 2010 and 2009

(dollars in millions, except for per share data)

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Water Products	\$ 377.5	\$ 336.7	\$ 1,119.1	\$ 1,012.8
Electrical Products	183.3	165.9	539.4	472.0
Inter-segment sales	(1.4)	(1.1)	(3.2)	(2.9)
Net sales	559.4	501.5	1,655.3	1,481.9
Cost of products sold	410.3	363.0	1,203.3	1,119.5
Gross profit	149.1	138.5	452.0	362.4
Selling, general and administrative expenses	101.7	92.3	303.2	265.6
Direct flood related expense	-	-	34.2	-
Restructuring and other charges/(income)	(0.4)	(3.0)	0.1	(1.5)
Interest expense	2.5	2.5	7.8	8.8
Other expense - net	1.0	0.6	1.7	2.1
	44.3	46.1	105.0	87.4
Provision for income taxes	12.3	11.4	25.5	20.2
Earnings before equity loss in joint venture	32.0	34.7	79.5	67.2
Equity loss in joint venture	-	(0.1)	(0.1)	(0.3)
Net earnings	32.0	34.6	79.4	66.9
Less: Net earnings attributable to noncontrolling interest	-	-	0.1	(8.3)
Net earnings attributable to A. O. Smith Corporation	\$ 32.0	\$ 34.6	\$ 79.5	\$ 58.6
Earnings per Common Share				
Basic	\$ 1.05	\$ 1.15	\$ 2.61	\$ 2.70
Diluted	\$ 1.04	\$ 1.14	\$ 2.59	\$ 2.69
Dividends to A. O. Smith Shareholders	\$ 0.21	\$ 0.195	\$ 0.60	\$ 0.575

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See accompanying notes to unaudited condensed consolidated financial statements

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, 2010 and December 31, 2009

(dollars in millions)

	(unaudited)	
	September 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 109.1	\$ 76.3
Receivables	422.4	373.6
Inventories	268.6	215.1
Deferred income taxes	27.3	26.6
Other current assets	49.0	48.4
Total Current Assets	876.4	740.0
Property, plant and equipment	993.7	994.6
Less accumulated depreciation	592.6	582.3
Net property, plant and equipment	401.1	412.3
Goodwill	569.3	567.8
Other intangibles	114.4	119.5
Deferred income taxes	11.7	22.2
Other assets	33.7	39.5
Total Assets	\$ 2,006.6	\$ 1,901.3
Liabilities		
Current Liabilities		
Short term debt	\$ 158.0	\$ -
Trade payables	337.8	312.9
Accrued payroll and benefits	51.2	51.6
Accrued liabilities	77.0	67.0
Product warranties	40.7	38.7
Long-term debt due within one year	21.1	21.1
Total Current Liabilities	685.8	491.3
Long-term debt	97.5	232.1
Pension liabilities	210.1	232.8
Other liabilities	151.3	155.3
Total Liabilities	1,144.7	1,111.5
Stockholders Equity		

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Class A Common Stock, \$5 par value: authorized 14,000,000 shares; issued 5,002,082 and 5,818,107	25.0	26.2
Common Stock, \$1 par value: authorized 60,000,000 shares; issued 27,404,778 and 27,166,486	27.4	27.2
Capital in excess of par value	667.9	662.7
Retained earnings	426.4	365.4
Accumulated other comprehensive loss	(228.5)	(230.9)
Treasury stock at cost	(75.3)	(79.9)
Noncontrolling interest	19.0	19.1
Total Stockholders Equity	861.9	789.8
Total Liabilities and Stockholders Equity	\$ 2,006.6	\$ 1,901.3

See accompanying notes to unaudited condensed consolidated financial statements

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A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Months ended September 30, 2010 and 2009

(dollars in millions)

(unaudited)

	Nine Months Ended September 30	
	2010	2009
Operating Activities		
Net earnings	\$ 79.4	\$ 66.9
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	49.0	50.7
Loss (gain) on disposal of assets	14.0	(3.3)
Net changes in operating assets and liabilities, net of acquisitions:		
Current assets and liabilities	(63.5)	95.4
Noncurrent assets and liabilities	(10.0)	(26.1)
Other	(0.1)	0.7
Cash Provided by Operating Activities	68.8	184.3
Investing Activities		
Capital expenditures	(47.6)	(37.9)
Net cash distributed with spin-off of discontinued businesses	-	(7.1)
Acquisition of business	(5.6)	(0.4)
Proceeds from sale of restricted marketable securities	4.6	8.9
Proceeds from sale of assets	4.2	9.6
Cash Used in Investing Activities	(44.4)	(26.9)
Financing Activities		
Short term debt incurred - net	40.8	-
Long-term debt repaid	(18.6)	(111.5)
Proceeds from stock option activity	4.5	3.5
Dividends paid		