

Woodward, Inc.
Form 10-Q
February 08, 2019

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 December 31, 2018

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 000-08408
WOODWARD, INC.
(Exact name of registrant as specified in its charter)

Delaware 36-1984010

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1081 Woodward Way, Fort Collins, Colorado 80524

(Address of principal executive offices) (Zip Code)
(970) 482-5811

(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

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Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of February 5, 2019, 62,082,576 shares of the registrant’s common stock with a par value of \$0.001455 per share were outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

WOODWARD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share amounts)

(Unaudited)

	Three-Months Ended December 31,	
	2018	2017
Net sales	\$ 652,811	\$ 470,148
Costs and expenses:		
Cost of goods sold	492,174	347,627
Selling, general and administrative expenses	51,927	46,459
Research and development costs	38,867	34,786
Interest expense	11,878	8,872
Interest income	(371)	(363)
Other expense (income), net (Note 17)	(3,179)	(4,720)
Total costs and expenses	591,296	432,661
Earnings before income taxes	61,515	37,487
Income tax expense	12,395	19,227
Net earnings	\$ 49,120	\$ 18,260
Earnings per share (Note 4):		
Basic earnings per share	\$ 0.79	\$ 0.30
Diluted earnings per share	\$ 0.77	\$ 0.29
Weighted Average Common Shares Outstanding (Note 4):		
Basic	61,818	61,246
Diluted	64,059	63,709

See accompanying Notes to Condensed Consolidated Financial Statements

WOODWARD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(In thousands)

(Unaudited)

Three-Months Ended
December 31,
2018 2017

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Net earnings	\$ 49,120	\$ 18,260
Other comprehensive earnings:		
Foreign currency translation adjustments	(1,734)	5,103
Net gain (loss) on foreign currency transactions designated as hedges of net investments in foreign subsidiaries (Note 8)	649	(743)
Taxes on changes in foreign currency translation adjustments	383	187
Foreign currency translation and transactions adjustments, net of tax	(702)	4,547
Unrealized gain (loss) on fair value adjustment of derivative instruments (Note 8)	18,563	-
Reclassification of net realized (gains) losses on derivatives to earnings (Note 8)	(7,826)	(18)
Taxes on changes in derivative transactions	(208)	7
Derivative adjustments, net of tax	10,529	(11)
Curtailment of postretirement benefit plan arising during the period	-	59
Amortization of pension and other postretirement plan:		
Net prior service cost	176	137
Net loss	239	246
Foreign currency exchange rate changes on pension and other postretirement benefit plan liabilities	303	(99)
Taxes on changes in pension and other postretirement benefit plan liability adjustments, net of foreign currency exchange rate changes	(209)	(132)
Pension and other postretirement benefit plan adjustments, net of tax	509	211
Total comprehensive earnings	\$ 59,456	\$ 23,007

See accompanying Notes to Condensed Consolidated Financial Statements

WOODWARD, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

(Unaudited)

	December 31, 2018	September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents, including restricted cash of \$0 and \$3,635, respectively	\$ 71,634	\$ 83,594
Accounts receivable, less allowance for uncollectible amounts of \$3,995 and \$3,938, respectively	489,529	432,003
Inventories	524,500	549,596
Income taxes receivable	3,769	6,397
Other current assets	37,004	43,207
Total current assets	1,126,436	1,114,797
Property, plant and equipment, net	1,060,556	1,060,005
Goodwill	809,480	813,250
Intangible assets, net	673,286	700,883
Deferred income tax assets	15,172	16,570
Other assets	175,606	85,144
Total assets	\$ 3,860,536	\$ 3,790,649
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 160,000	\$ 153,635
Accounts payable	224,890	226,285
Income taxes payable	19,899	16,745
Accrued liabilities	171,137	194,513
Total current liabilities	575,926	591,178
Long-term debt, less current portion	1,024,872	1,092,397
Deferred income tax liabilities	168,409	170,915
Other liabilities	460,462	398,055
Total liabilities	2,229,669	2,252,545
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock, par value \$0.003 per share, 10,000 shares authorized, no shares issued	-	-
Common stock, par value \$0.001455 per share, 150,000 shares authorized, 72,960 shares issued	106	106
Additional paid-in capital	195,894	185,705
Accumulated other comprehensive losses	(64,648)	(74,942)
Deferred compensation	9,015	8,431

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Retained earnings	2,034,877	1,966,643
	2,175,244	2,085,943
Treasury stock at cost, 11,096 shares and 11,203 shares, respectively	(535,362)	(539,408)
Treasury stock held for deferred compensation, at cost, 209 shares and 202 shares, respectively	(9,015)	(8,431)
Total stockholders' equity	1,630,867	1,538,104
Total liabilities and stockholders' equity	\$ 3,860,536	\$ 3,790,649

See accompanying Notes to Condensed Consolidated Financial Statements.

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WOODWARD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three-Months Ended December 31,	
	2018	2017
Net cash provided by (used in) operating activities	\$ 84,712	\$ (2,533)
Cash flows from investing activities:		
Payments for purchase of property, plant, and equipment	(31,346)	(28,450)
Proceeds from sale of assets	249	132
Proceeds from sales of short-term investments	27	-
Payments for purchases of short-term investments	(947)	(791)
Net cash used in investing activities	(32,017)	(29,109)
Cash flows from financing activities:		
Cash dividends paid	(8,808)	(7,656)
Proceeds from sales of treasury stock	3,384	1,389
Borrowings on revolving lines of credit and short-term borrowings	542,847	458,950
Payments on revolving lines of credit and short-term borrowings	(501,218)	(425,250)
Payments of long-term debt and capital lease obligations	(100,132)	(106)
Net cash (used in) provided by financing activities	(63,927)	27,327
Effect of exchange rate changes on cash and cash equivalents	(728)	2,542
Net change in cash and cash equivalents	(11,960)	(1,773)
Cash and cash equivalents at beginning of year	83,594	87,552
Cash and cash equivalents, including restricted cash, at end of period	\$ 71,634	\$ 85,779

See accompanying Notes to Condensed Consolidated Financial Statements

WOODWARD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

Number of shares			Stockholders' equity									
Preferred stock	Common stock	Treasury stock	Treasury stock held for deferred compensation	Paid-in stock capital	Additional paid-in capital	Foreign currency translation adjustments	Unrealized foreign exchange gains (losses)	Other comprehensive income (loss)	Deferred compensation	Retained earnings	Treasury stock held for deferred compensation	Total
												Minimum accumulated