

SMITH A O CORP  
Form 10-Q  
August 08, 2011  
Table of Contents

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 June 30, 2011.

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)

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

**(414)359-4000**

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

**53224-9508**  
(Zip Code)

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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 31, 2011 7,222,536 shares

Common Stock Outstanding as of July 31, 2011 38,986,929 shares

**Table of Contents**

**Index**

**A. O. Smith Corporation**

	<b>Page</b>
<b>Part I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Statements of Earnings</u> - Three and six months ended June 30, 2011 and 2010	3
<u>Condensed Consolidated Balance Sheets</u> - June 30, 2011 and December 31, 2010	4
<u>Condensed Consolidated Statements of Cash Flows</u> - Six months ended June 30, 2011 and 2010	5
<u>Notes to Condensed Consolidated Financial Statements</u> - June 30, 2011	6-20
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21-25
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	26-27
<b>Part II. OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	28
Item 2. <u>Unregistered Sales Of Equity Securities and Use Of Proceeds</u>	28
Item 5. <u>Other Information</u>	28
Item 6. <u>Exhibits</u>	28
<u>Signatures</u>	29
<u>Index to Exhibits</u>	30

**Table of Contents****PART I - FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS**

## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three and Six Months ended June 30, 2011 and 2010

(dollars in millions, except for per share data)

(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>Continuing Operations</b>				
Net sales	\$ 405.3	\$ 375.0	\$ 822.7	\$ 741.7
Cost of products sold	293.4	260.8	583.8	519.2
Gross profit	111.9	114.2	238.9	222.5
Selling, general and administrative expenses	85.1	83.8	174.4	160.8
Flood related expense	-	34.2	-	34.2
Restructuring, impairment and settlement income, net	(11.2)	-	(11.2)	-
Interest expense	2.1	1.6	3.9	3.3
Other (income) expense - net	(5.1)	1.2	(2.9)	1.7
	41.0	(6.6)	74.7	22.5
Provision (benefit) for income taxes	12.4	(5.7)	21.9	2.0
Earnings before equity loss in joint venture	28.6	(0.9)	52.8	20.5
Equity loss in joint venture	-	-	-	(0.1)
<b>Earnings (loss) from continuing operations</b>	<b>28.6</b>	<b>(0.9)</b>	<b>52.8</b>	<b>20.4</b>
<b>Discontinued Operations</b>				
Earnings from discontinued EPC operations, less provision for income taxes of \$8.8 and \$14.5 in 2011 and \$7.5 and \$11.2 in 2010	21.7	17.5	38.5	27.0
<b>Net earnings</b>	<b>50.3</b>	<b>16.6</b>	<b>91.3</b>	<b>47.4</b>
Net loss attributable to noncontrolling interest	-	-	-	0.1
<b>Net earnings attributable to A. O. Smith Corporation</b>	<b>\$ 50.3</b>	<b>\$ 16.6</b>	<b>\$ 91.3</b>	<b>\$ 47.5</b>
<b>Net Earnings (Loss) Per Share of Common Stock</b>				
Continuing Operations	\$ 0.62	\$ (0.02)	\$ 1.15	\$ 0.45
Discontinued Operations	0.47	0.38	0.83	0.59
<b>Net Earnings attributable to A. O. Smith Corporation</b>	<b>\$ 1.09</b>	<b>\$ 0.36</b>	<b>\$ 1.98</b>	<b>\$ 1.04</b>
<b>Diluted Net Earnings (Loss) Per Share of Common Stock</b>				
Continuing Operations	\$ 0.62	\$ (0.02)	\$ 1.13	\$ 0.44

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Discontinued Operations	0.46	0.38	0.83	0.59
<b>Net Earnings attributable to A. O. Smith Corporation</b>	<b>\$ 1.08</b>	<b>\$ 0.36</b>	<b>\$ 1.96</b>	<b>\$ 1.03</b>
<b>Dividends per Share of Common Stock</b>	<b>\$ 0.14</b>	<b>\$ 0.13</b>	<b>\$ 0.28</b>	<b>\$ 0.26</b>

See accompanying notes to unaudited condensed consolidated financial statements

**Table of Contents****PART I - FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS**

## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2011 and December 31, 2010

(dollars in millions)

	(unaudited)	
	June 30, 2011	December 31, 2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 108.2	\$ 118.9
Receivables	327.7	313.3
Inventories	161.6	146.8
Deferred income taxes	68.7	27.3
Other current assets	23.8	17.4
Current assets - discontinued EPC operations	301.2	272.3
<b>Total Current Assets</b>	<b>991.2</b>	<b>896.0</b>
Property, plant and equipment	553.2	524.9
Less accumulated depreciation	286.9	266.5
Net property, plant and equipment	266.3	258.4
Goodwill	325.7	323.8
Other intangibles	104.0	106.6
Deferred income taxes	25.4	89.7
Other assets	37.1	36.8
Long-term assets - discontinued EPC operations	393.4	399.3
<b>Total Assets</b>	<b>\$ 2,143.1</b>	<b>\$ 2,110.6</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade payables	\$ 258.3	\$ 263.0
Accrued payroll and benefits	32.1	37.2
Accrued liabilities	55.6	59.0
Product warranties	42.3	36.4
Long-term debt due within one year	18.6	18.6
Current liabilities - discontinued EPC operations	129.0	122.6
<b>Total Current Liabilities</b>	<b>535.9</b>	<b>536.8</b>
Long-term debt	356.9	242.4
Pension liabilities	50.9	222.9
Other liabilities	152.2	148.6
Long-term liabilities - discontinued EPC operations	77.4	78.5
<b>Total Liabilities</b>	<b>1,173.3</b>	<b>1,229.2</b>

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<b>Stockholders Equity</b>		
Class A Common Stock, \$5 par value: authorized 14,000,000 shares; issued 7,255,185 and 7,481,748	36.3	37.4
Common Stock, \$1 par value: authorized 60,000,000 shares; issued 40,421,725 and 40,195,162	40.4	40.2
Capital in excess of par value	650.9	655.7
Retained earnings	530.4	452.1
Accumulated other comprehensive loss	(228.8)	(229.4)
Treasury stock at cost	(59.4)	(74.6)
<b>Total Stockholders Equity</b>	969.8	881.4
<b>Total Liabilities and Stockholders Equity</b>	\$ 2,143.1	\$ 2,110.6

See accompanying notes to unaudited condensed consolidated financial statements

**Table of Contents**

**PART 1 - FINANCIAL INFORMATION**

**ITEM 1 - FINANCIAL STATEMENTS**

A. O. SMITH CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six Months ended June 30, 2011 and 2010

(dollars in millions)

(unaudited)

	Six Months Ended June 30	
	2011	2010
<b>Operating Activities</b>		
Net earnings	\$ 91.3	\$ 47.4
Less earnings from discontinued operations	(38.5)	(27.0)
Adjustments to reconcile earnings from continuing operations to cash used in operating activities:		
Depreciation and amortization	21.8	19.3
Loss on sale of assets	0.3	14.3
Net changes in operating assets and liabilities, net of acquisitions:		
Current assets and liabilities	(85.2)	2.0
Noncurrent assets and liabilities	(94.5)	(13.9)