

NEWELL RUBBERMAID INC

Form 10-Q

May 06, 2011

Table of Contents

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 March 31, 2011

Commission File Number 1-9608

NEWELL RUBBERMAID INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

36-3514169
(I.R.S. Employer
Identification No.)

Three Glenlake Parkway

Atlanta, Georgia 30328

(Address of principal executive offices)

(Zip Code)

(770) 418-7000

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

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

Number of shares of common stock outstanding (net of treasury shares) as of March 31, 2011: 291.2 million.

Table of Contents

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	28
<u>Item 4. Controls and Procedures</u>	28
<u>PART II. OTHER INFORMATION</u>	29
<u>Item 1. Legal Proceedings</u>	29
<u>Item 1A. Risk Factors</u>	29
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
<u>Item 6. Exhibits</u>	30
<u>SIGNATURES</u>	31

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****NEWELL RUBBERMAID INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)***(Amounts in millions, except per share data)*

	Three Months Ended	
	2011	March 31, 2010
Net sales	\$ 1,302.7	\$ 1,306.4
Cost of products sold	811.8	834.7
GROSS MARGIN	490.9	471.7
Selling, general and administrative expenses	354.5	325.6
Restructuring costs	5.8	16.0
OPERATING INCOME	130.6	130.1
Nonoperating expenses:		
Interest expense, net	21.9	32.0
Loss related to extinguishment of debt	4.8	0
Other expense (income), net	1.5	(0.3)
Net nonoperating expenses	28.2	31.7
INCOME BEFORE INCOME TAXES	102.4	98.4
Income taxes	26.7	40.0
NET INCOME	\$ 75.7	\$ 58.4
Weighted average shares outstanding:		
Basic	294.2	281.1
Diluted	298.2	307.8
Earnings per share:		
Basic	\$ 0.26	\$ 0.21
Diluted	\$ 0.25	\$ 0.19
Dividends per share	\$ 0.05	\$ 0.05

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**NEWELL RUBBERMAID INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)***(Amounts in millions, except par values)*

	March 31,	December 31,
	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 139.7	\$ 139.6
Accounts receivable, net	967.2	997.9
Inventories, net	844.7	701.6
Deferred income taxes	181.4	179.2
Prepaid expenses and other	171.2	113.7
TOTAL CURRENT ASSETS	2,304.2	2,132.0
PROPERTY, PLANT AND EQUIPMENT, NET	535.2	529.3
GOODWILL	2,791.8	2,749.5
OTHER INTANGIBLE ASSETS, NET	662.6	648.3
OTHER ASSETS	343.4	346.2
TOTAL ASSETS	\$ 6,637.2	\$ 6,405.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 548.9	\$ 472.5
Accrued compensation	101.2	190.2
Other accrued liabilities	618.8	698.2
Short-term debt	325.0	135.0
Current portion of long-term debt	411.1	170.0
TOTAL CURRENT LIABILITIES	2,005.0	1,665.9
LONG-TERM DEBT	1,796.3	2,063.9
OTHER NONCURRENT LIABILITIES	797.2	770.0
STOCKHOLDERS' EQUITY:		
Preferred stock, authorized shares, 10.0 at \$1.00 par value	0	0
None issued and outstanding		
Common stock, authorized shares, 800.0 at \$1.00 par value	308.1	307.2
Outstanding shares, before treasury:		
2011 308.1		
2010 307.2		
Treasury stock, at cost:	(430.2)	(425.7)
Shares held:		
2011 16.9		
2010 16.7		
Additional paid-in capital	594.4	568.2
Retained earnings	2,118.1	2,057.3
Accumulated other comprehensive loss	(555.2)	(605.0)
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO PARENT	2,035.2	1,902.0
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3.5	3.5

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TOTAL STOCKHOLDERS EQUITY	2,038.7	1,905.5
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 6,637.2	\$ 6,405.3

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**NEWELL RUBBERMAID INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)***(Amounts in millions)*

	Three Months Ended	
	2011	March 31, 2010
OPERATING ACTIVITIES:		
Net income	\$ 75.7	\$ 58.4
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	40.7	44.2
Loss related to extinguishment of debt	4.8	0
Deferred income taxes	35.4	21.3
Non-cash restructuring costs	(0.5)	0.9
Stock-based compensation expense	8.1	10.5
Other, net	4.1	9.0
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	45.1	(29.4)
Inventories	(131.7)	(46.1)
Accounts payable	70.3	71.1
Accrued liabilities and other	(260.3)	(110.5)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(108.3)	29.4
INVESTING ACTIVITIES:		
Acquisitions and acquisition-related activity	(18.9)	(1.5)
Capital expenditures	(44.9)	(31.5)
Proceeds from sales of noncurrent assets	2.7	0
NET CASH USED IN INVESTING ACTIVITIES	(61.1)	(33.0)
FINANCING ACTIVITIES:		
Short-term borrowings, net	190.0	0
Proceeds from issuance of debt, net of debt issuance costs	0	1.4
Payments on notes payable and debt	(0.5)	(2.9)
Cash consideration paid for exchange of convertible notes (1)	(3.1)	0
Cash dividends	(14.7)	(13.9)
Other, net	(3.9)	(2.9)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	167.8	(18.3)
Currency rate effect on cash and cash equivalents	1.7	(3.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	0.1	(25.3)
Cash and cash equivalents at beginning of period	139.6	278.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 139.7	\$ 253.0

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- (1) Consideration provided in connection with the convertible note exchange in March 2011 consisted of cash as well as issuance of shares of the Company's common stock, which issuance is not included in the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2011. See Footnote 5 of the Notes to Condensed Consolidated Financial Statements for further information.
See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**NEWELL RUBBERMAID INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****Footnote 1 Basis of Presentation and Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements of Newell Rubbermaid Inc. (collectively with its subsidiaries, the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and do not include all the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and the results of operations. It is recommended that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements and the footnotes thereto included in the Company's latest Annual Report on Form 10-K.

Seasonal Variations

Sales of the Company's products tend to be seasonal, with sales and operating income in the first quarter generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the first quarter. Historically, the Company has earned more than 60% of its annual operating income during the second and third quarters of the year. The seasonality of the Company's sales volume combined with the accounting for fixed costs, such as depreciation, amortization, rent, personnel costs and interest expense, impacts the Company's results on a quarterly basis. In addition, the Company has historically generated more than 65% of its operating cash flow in the second half of the year due to seasonal variations in operating results, the timing of annual performance-based compensation payments, and credit terms provided to customers. Accordingly, the Company's results for the three months ended March 31, 2011 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2011.

Recent Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. Recently issued ASUs were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company's consolidated financial position and results of operations.

Venezuelan Operations

The Company considers Venezuela a highly inflationary economy. Accounting standards require the functional currency of foreign operations operating in highly inflationary economies to be the same as the reporting currency of the Company. Accordingly, the functional currency of the Company's Venezuelan operations is the U.S. Dollar. The Company's Venezuelan operations had approximately \$33.7 million of net monetary assets denominated in Bolivar Fuertes as of March 31, 2011 which are subject to changes in value based on changes in the Transaction System for Foreign Currency Denominated Securities (SITME) rate. Foreign currency exchange through the SITME is allowed within a specified band of 4.5 to 5.3 Bolivar Fuerte to U.S. Dollar, but most of the exchanges have been executed at the rate of 5.3 Bolivar Fuerte to U.S. Dollar. During the three months ended March 31, 2011, the Company's Venezuelan operations generated less than 1% of consolidated net sales.

Footnote 2 Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)

On August 2, 2010, the Company entered into an accelerated stock buyback program (the ASB) with Goldman, Sachs & Co. (Goldman Sachs). Under the ASB, on August 10, 2010, the Company paid Goldman Sachs an initial purchase price of \$500.0 million, and Goldman Sachs delivered to the Company approximately 25.8 million shares of common stock, representing approximately 80% of the shares expected to be purchased under the program at the time the program was announced based on a per share amount of \$15.50. The final number of shares that the Company purchased under the ASB was determined based on the average of the daily volume-weighted average share prices of the Company's common stock from August 11, 2010 until March 21, 2011, subject to certain adjustments. Based on a calculated per share price of \$17.95, Goldman Sachs delivered approximately 2.0 million additional shares to the Company on March 24, 2011 in connection with the completion of the ASB, and such shares were immediately retired.

The following table displays the components of accumulated other comprehensive loss as of March 31, 2011 (*in millions*):

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Unrecognized

Pension & Other

Foreign Currency

Postretirement

Derivative Hedging

Translation

Costs, net of
tax

Loss, net of
tax

Accumulated Other

Comprehensive Loss

Balance at December 31, 2010	\$ (179.4)	\$ (425.4)	\$ (0.2)	\$ (605.0)
Current period change	45.4	7.3	(2.9)	49.8
Balance at March 31, 2011	\$ (134.0)	\$ (418.1)	\$ (3.1)	&