

SMITH A O CORP  
Form 10-Q  
May 10, 2011  
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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 March 31, 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)

**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 April 30, 2011 7,442,347 shares

Common Stock Outstanding as of April 30, 2011 38,750,057 shares

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**A. O. Smith Corporation**

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## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three Months ended March 31, 2011 and 2010

(dollars in millions, except for per share data)

(unaudited)

	Three Months Ended March 31	
	2011	2010
<b>Continuing Operations</b>		
Net Sales	\$ 417.4	\$ 366.7
Cost of products sold	290.4	258.4
Gross Profit	127.0	108.3
Selling, general and administrative expenses	89.3	77.0
Interest expense	1.8	1.7
Other expense - net	2.2	0.5
	33.7	29.1
Provision for income taxes	9.5	7.7
Earnings before equity loss in joint venture	24.2	21.4
Equity (loss) in joint venture	-	(0.1)
<b>Earnings from continuing operations</b>	<b>24.2</b>	<b>21.3</b>
<b>Discontinued Operations</b>		
Earnings from discontinued EPC operations, less provision for income taxes of \$5.7 in 2011 and \$3.7 in 2010	16.8	9.5
<b>Net earnings</b>	<b>41.0</b>	<b>30.8</b>
Net loss attributable to noncontrolling interest	-	0.1
<b>Net earnings attributable to A. O. Smith Corporation</b>	<b>\$ 41.0</b>	<b>\$ 30.9</b>
<b>Net Earnings Per Share of Common Stock</b>		
Continuing Operations	\$ 0.52	\$ 0.47
Discontinued Operations	0.37	0.21
<b>Net Earnings attributable to A. O. Smith Corporation</b>	<b>\$ 0.89</b>	<b>\$ 0.68</b>
<b>Diluted Net Earnings Per Share of Common Stock</b>		
Continuing Operations	\$ 0.52	\$ 0.46
Discontinued Operations	0.36	0.21
<b>Net Earnings attributable to A. O. Smith Corporation</b>	<b>\$ 0.88</b>	<b>\$ 0.67</b>

**Dividends per Common Stock**

\$ 0.14    \$ 0.13

See accompanying notes to unaudited condensed consolidated financial statements.

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## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2011 and December 31, 2010

(dollars in millions)

	(unaudited)	
	March 31, 2011	December 31, 2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 124.2	\$ 118.9
Receivables	362.0	313.3
Inventories	160.8	146.8
Deferred income taxes	26.2	27.3
Other current assets	19.9	17.4
Current assets - discontinued EPC operations	293.9	272.3
<b>Total Current Assets</b>	<b>987.0</b>	<b>896.0</b>
Property, plant and equipment	541.3	524.9
Less accumulated depreciation	278.5	266.5
Net property, plant and equipment	262.8	258.4
Goodwill	325.3	323.8
Other intangibles	105.5	106.6
Deferred income taxes	91.3	89.7
Other assets	37.2	36.8
Long-term assets - discontinued EPC operations	396.2	399.3
<b>Total Assets</b>	<b>\$ 2,205.3</b>	<b>\$ 2,110.6</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade payables	\$ 279.3	\$ 263.0
Accrued payroll and benefits	28.6	37.2
Accrued liabilities	69.0	59.0
Product warranties	37.8	36.4
Long-term debt due within one year	18.6	18.6
Current liabilities - discontinued EPC operations	122.1	122.6
<b>Total Current Liabilities</b>	<b>555.4</b>	<b>536.8</b>
Long-term debt	321.2	242.4
Pension liabilities	179.4	222.9
Other liabilities	147.3	148.6
Long-term liabilities - discontinued EPC operations	80.1	78.5
<b>Total Liabilities</b>	<b>1,283.4</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 7,479,428 and 7,481,748	37.4	37.4
Common Stock, \$1 par value: authorized 60,000,000 shares; issued 40,197,482 and 40,195,162	40.2	40.2
Capital in excess of par value	648.0	655.7
Retained earnings	486.6	452.1
Accumulated other comprehensive loss	(229.4)	(229.4)
Treasury stock at cost	(60.9)	(74.6)
<b>Total Stockholders Equity</b>	921.9	881.4
<b>Total Liabilities and Stockholders Equity</b>	\$ 2,205.3	\$ 2,110.6

See accompanying notes to unaudited condensed consolidated financial statements

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## A. O. SMITH CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months ended March 31, 2011 and 2010 (dollars in millions)

(unaudited)

	Three Months Ended March 31	
	2011	2010
<b>Operating Activities</b>		
Net earnings	\$ 41.0	\$ 30.8
Less earnings from discontinued operations	(16.8)	(9.5)
Adjustments to reconcile earnings from continuing operations to cash used in operating activities:		
Depreciation and amortization	10.8	10.1
Loss on sale of assets	0.2	-
Net changes in operating assets and liabilities, net of acquisitions:		
Current assets and liabilities	(45.8)	(42.8)
Noncurrent assets and liabilities	(41.7)	5.5
<b>Cash Used in Operating Activities - continuing operations</b>	<b>(52.3)</b>	<b>(5.9)</b>
<b>Cash Provided by (Used in) Operating Activities - discontinued operations</b>	<b>0.1</b>	<b>(8.5)</b>
<b>Cash Used in Operating Activities</b>	<b>(52.2)</b>	<b>(14.4)</b>
<b>Investing Activities</b>		
Capital expenditures	(12.4)	(7.7)
<b>Cash Used in Investing Activities - continuing operations</b>	<b>(12.4)</b>	<b>(7.7)</b>
<b>Cash Used in Investing Activities - discontinued operations</b>	<b>(3.1)</b>	<b>(2.6)</b>
<b>Cash Used in Investing Activities</b>	<b>(15.5)</b>	<b>(10.3)</b>
<b>Financing Activities</b>		
Short-term debt incurred - net	-	31.5
Long-term debt incurred	77.2	-
Common stock repurchase	(5.7)	-
Net proceeds from stock option activity	7.9	2.6
Dividends paid	(6.4)	(5.9)
<b>Cash Provided by Financing Activities - continuing operations</b>	<b>73.0</b>	<b>28.2</b>
<b>Cash Provided by Financing Activities - discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Cash Provided by Financing Activities</b>	<b>73.0</b>	<b>28.2</b>
<b>Net increase in cash and cash equivalents</b>	<b>5.3</b>	<b>3.5</b>
Cash and cash equivalents - beginning of period	118.9	76.3



<b>Cash and Cash Equivalents - End of Period</b>	\$ 124.2	\$ 79.8
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See accompanying notes to unaudited condensed consolidated financial statements

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**PART I - FINANCIAL INFORMATION**

**ITEM 1 - FINANCIAL STATEMENTS**

**A. O. SMITH CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2011**

**(unaudited)**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2011 are not necessarily indicative of the results expected for the full year. It is suggested that the accompanying condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the company's latest Annual Report on Form 10-K filed with the SEC on February 24, 2011.

Except where otherwise indicated, amounts reflected in the financial statements or the notes thereto relate to the company's continuing operations.

Certain other prior year amounts have been reclassified to conform to the 2011 presentation.

**2. Discontinued Operations**