

CARLISLE COMPANIES INC

Form 10-Q

October 22, 2013

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission file number 1-9278

CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

31-1168055
(I.R.S. Employer Identification No.)

11605 North Community House Road, Suite 600, Charlotte, North Carolina 28277
(Address of principal executive office, including zip code)

(704) 501-1100
(Telephone Number)

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 Accelerated filer
Non-accelerated filer 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

Shares of common stock outstanding at October 18, 2013: 63,602,956

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Table of Contents**Item 1. Financial Statements****Carlisle Companies Incorporated**

Unaudited Condensed Consolidated Statements of Comprehensive Income

(in millions except share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	\$ 968.8	\$ 910.2	\$ 2,821.9	\$ 2,783.8
Costs and expenses:				
Cost of goods sold	734.0	684.3	2,159.3	2,091.2
Selling and administrative expenses	105.8	101.1	321.2	314.6
Research and development expenses	8.8	8.1	27.4	24.4
Impairment of assets			100.0	
Other (income) expense, net	(3.2)	6.1	(2.0)	6.5
Earnings before interest and income taxes	123.4	110.6	216.0	347.1
Interest expense, net	8.5	6.2	25.4	19.2
Earnings before income taxes from continuing operations	114.9	104.4	190.6	327.9
Income tax expense (Note 8)	38.3	34.7	50.5	108.7
Income from continuing operations	76.6	69.7	140.1	219.2
Discontinued operations (Note 5)				
Income (loss) from discontinued operations		(0.2)	(0.2)	3.3
Income tax (benefit) expense			(0.1)	0.1
Income (loss) from discontinued operations		(0.2)	(0.1)	3.2
Net income	\$ 76.6	\$ 69.5	\$ 140.0	\$ 222.4
Basic earnings per share attributable to common shares (Note 9)				
Income from continuing operations	\$ 1.20	\$ 1.11	\$ 2.19	\$ 3.50
Income (loss) from discontinued operations		(0.01)		0.05
Basic earnings per share	\$ 1.20	\$ 1.10	\$ 2.19	\$ 3.55
Diluted earnings per share attributable to common shares (Note 9)				
Income from continuing operations	\$ 1.18	\$ 1.08	\$ 2.16	\$ 3.43
Income (loss) from discontinued operations				0.05
Diluted earnings per share	\$ 1.18	\$ 1.08	\$ 2.16	\$ 3.48
Average shares outstanding - in thousands (Note 9)				
Basic	63,567	62,708	63,429	62,347
Diluted	64,890	63,946	64,714	63,520
Dividends declared and paid	\$ 14.1	\$ 12.6	\$ 39.7	\$ 35.1
Dividends declared and paid per share	\$ 0.22	\$ 0.20	\$ 0.62	\$ 0.56
Comprehensive Income				
Net income	\$ 76.6	\$ 69.5	\$ 140.0	\$ 222.4
Other comprehensive income (Note 19)				
Change in foreign currency translation, net of tax	11.5	4.8	1.1	0.3
Change in accrued post-retirement benefit liability, net of tax	0.9	0.8	3.3	2.4
Loss on hedging activities, net of tax	(0.1)	(0.1)	(0.3)	(0.3)
Other comprehensive income	12.3	5.5	4.1	2.4
Comprehensive income	\$ 88.9	\$ 75.0	\$ 144.1	\$ 224.8

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See accompanying notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**Carlisle Companies Incorporated**

Condensed Consolidated Balance Sheets

(in millions except share amounts)	September 30 2013 (Unaudited)	December 31 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 332.4	\$ 112.5
Receivables, net of allowance of \$4.7 in 2013 and \$6.0 in 2012	572.3	482.7
Inventories (Note 11)	481.3	538.0
Deferred income taxes (Note 8)	41.8	43.1
Prepaid expenses and other current assets	34.3	29.0
Total current assets	1,462.1	1,205.3
Property, plant and equipment, net of accumulated depreciation of of \$681.5 in 2013 and \$635.7 in 2012 (Note 12)	645.3	637.1
Other assets:		
Goodwill, net (Note 13)	859.6	958.8
Other intangible assets, net (Note 13)	590.4	617.5
Other long-term assets	35.3	38.6
Non-current assets held for sale (Note 5)	4.2	
Total other assets	1,489.5	1,614.9
TOTAL ASSETS	\$ 3,596.9	\$ 3,457.3
Liabilities and Shareholders Equity		
Current liabilities:		
Short-term debt, including current maturities (Note 15)	\$	\$
Accounts payable	274.3	259.7
Accrued expenses	224.2	193.3
Deferred revenue (Note 17)	17.1	17.6
Total current liabilities	515.6	470.6
Long-term liabilities:		
Long-term debt (Note 15)	752.6	752.5
Deferred revenue (Note 17)	140.7	135.4
Other long-term liabilities (Note 18)	264.4	310.7
Total long-term liabilities	1,157.7	1,198.6
Shareholders equity:		
Preferred stock, \$1 par value per share. Authorized and unissued 5,000,000 shares		
Common stock, \$1 par value per share. Authorized 100,000,000 shares; 78,661,248 shares issued; 63,597,143 outstanding in 2013 and 63,127,299 outstanding in 2012	78.7	78.7
Additional paid-in capital	194.4	171.4
Deferred compensation equity (Note 7)	3.3	0.6
Cost of shares in treasury - 14,823,115 shares in 2013 and 15,249,714 shares in 2012	(210.0)	(215.4)
Accumulated other comprehensive loss (Note 19)	(31.4)	(35.5)
Retained earnings	1,888.6	1,788.3
Total shareholders equity	1,923.6	1,788.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 3,596.9	\$ 3,457.3

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**Carlisle Companies Incorporated**

Unaudited Condensed Consolidated Statements of Cash Flows

(in millions)	Nine Months Ended September 30,	
	2013	2012
Operating activities		
Net income	\$ 140.0	\$ 222.4
Reconciliation of net income to cash flows from operating activities:		
Depreciation	59.1	55.7
Amortization	30.8	22.8
Non-cash compensation, net of tax benefit	10.2	5.8
Gain on sale of businesses		(3.7)
Loss on sale of property and equipment, net	0.4	0.9
Impairment of assets	100.0	6.1
Deferred taxes	(39.6)	(4.6)
Foreign exchange (gain) loss	(0.2)	1.8
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Receivables	(90.4)	(76.4)
Inventories	56.2	11.4
Prepaid expenses and other assets	0.8	21.6
Accounts payable	14.6	11.1
Accrued expenses and deferred revenues	33.8	40.8
Long-term liabilities	(0.9)	6.7
Other operating activities	0.7	0.8
Net cash provided by operating activities	315.5	323.2
Investing activities		
Capital expenditures	(77.7)	(93.7)
Acquisitions, net of cash		(49.3)
Proceeds from sale of property and equipment	6.7	
Proceeds from sale of business		25.8
Net cash used in investing activities	(71.0)	(117.2)
Financing activities		
Net change in short-term borrowings and revolving credit lines	(0.2)	(189.3)
Dividends	(39.7)	(35.1)
Stock options and treasury shares, net	15.5	29.9
Net cash used in financing activities	(24.4)	(194.5)
Effect of exchange rate changes on cash	(0.2)	0.9
Change in cash and cash equivalents	219.9	12.4
Cash and cash equivalents		
Beginning of period	112.5	74.7
End of period	\$ 332.4	\$ 87.1

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

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Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Carlisle Companies Incorporated (the Company or Carlisle) in accordance and consistent with the accounting policies stated in the Company's Annual Report on Form 10-K and should be read in conjunction with the consolidated financial statements therein. The unaudited condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States and, of necessity, include some amounts that are based upon management estimates and judgments. Future actual results could differ from such current estimates. The unaudited condensed consolidated financial statements include assets, liabilities, revenues, and expenses of all majority-owned subsidiaries. Carlisle accounts for other investments in minority-owned companies where it exercises significant influence, but does not have control, on the equity basis. Intercompany transactions and balances are eliminated in consolidation.

The Company has reclassified certain prior period amounts in the condensed consolidated financial statements to be consistent with the current period presentation. See Note 3 regarding the transition of the Styled Wheels business between Carlisle Transportation Products (CTP) and Carlisle Brake & Friction (CBF).

Note 2 New Accounting Pronouncements

Newly Adopted Accounting Standards

On February 5, 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU 2013-02 requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source (e.g., the release due to cash flow hedges from interest rate contracts) and the income statement line items affected by the reclassification (e.g., interest income or interest expense). If a component is not required to be reclassified to net income in its entirety (e.g., the net periodic pension cost), companies would instead cross reference to the related footnote for additional information (e.g., the pension footnote). ASU 2013-02 is effective for fiscal and interim reporting periods beginning after December 15, 2012. The adoption of this ASU had no material effect on the Company's consolidated financial statements.

In July 2012, FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 amends the guidance on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option of first performing a qualitative assessment to determine whether there are any events or circumstances indicating that it is more likely than not that an indefinite-lived intangible asset is impaired. ASU 2012-02 is effective for fiscal and interim impairment tests performed in fiscal years beginning after September 15, 2012. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements.

New Accounting Standards Issued but not yet adopted

There are currently no new accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations, and cash flows upon adoption.

Note 3 Segment Information

The Company's operations are reported in the following segments:

Carlisle Construction Materials (CCM or the Construction Materials segment) the principal products of this segment are rubber (EPDM) and thermoplastic polyolefin (TPO) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofing, and insulation products. The markets served include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants, and coatings and waterproofing.

Carlisle Interconnect Technologies (CIT or the Interconnect Technologies segment) the principal products of this segment are high-performance wire, cable, connectors, contacts, and cable assemblies primarily for the aerospace, defense electronics, industrial, and test and measurement equipment markets.

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Carlisle Brake & Friction (CBF or the Brake & Friction segment) the principal products of this segment include high-performance brakes and friction material, and clutch and transmission friction material for the mining, construction, aerospace, agriculture, motor sports, and alternative energy markets.

Carlisle FoodService Products (CFSP or the FoodService Products segment) the principal products of this segment include commercial and institutional foodservice permanentware, table coverings, cookware, catering equipment, fiberglass and composite material trays and dishes, industrial brooms, brushes, mops, and rotary brushes for commercial and non-commercial foodservice operators and sanitary maintenance professionals.

Carlisle Transportation Products (CTP or the Transportation Products segment) the principal products of this segment include bias-ply, steel belted radial trailer tires, stamped or roll-formed steel wheels, tires, and tire and wheel assemblies, as well as industrial belts and related components. The markets served include lawn and garden, power sports, high-speed trailer, agriculture, and construction.

Corporate includes general corporate expenses. Corporate assets consist primarily of cash and cash equivalents, facilities, deferred taxes, and other invested assets. Corporate operations also maintain a captive insurance program for workers compensation costs on behalf of all the Carlisle operating companies. Corporate assets also include assets of ceased operations not classified as held for sale.

Effective January 1, 2012, the Company's Styled Wheels business was transitioned from CTP to CBF. Styled wheels continued to be manufactured by CTP, but were marketed and sold by the performance racing group within CBF. Effective December 1, 2012, due to sales, marketing, and administrative inefficiencies, the Styled Wheels business was transitioned from CBF back to CTP. Prior period results have been retrospectively adjusted to reflect the Styled Wheels business in the Transportation Products segment.

Unaudited financial information for operations by reportable segment is included in the following summary:

Three Months Ended September 30, (in millions)	2013		2012	
	Sales(1)	EBIT	Sales(1)	EBIT
Carlisle Construction Materials	\$ 505.7	\$ 83.0	\$ 456.7	\$ 79.6
Carlisle Interconnect Technologies	147.8	24.8	115.0	18.7
Carlisle Brake & Friction	85.2	5.2	110.6	18.9
Carlisle FoodService Products	58.1	6.9	62.7	(1.2)
Carlisle Transportation Products	172.0	13.9	165.2	7.4
Corporate		(10.4)		(12.8)
Total	\$ 968.8	\$ 123.4	\$ 910.2	\$ 110.6

Nine Months Ended September 30, (in millions)	2013			2012		
	Sales(1)	EBIT	Assets	Sales(1)	EBIT	Assets
Carlisle Construction Materials	\$ 1,335.8	\$ 197.0	\$ 966.3	\$ 1,280.5	\$ 207.0	\$ 892.2
Carlisle Interconnect Technologies	434.7	65.5	1,028.0	340.5	52.8	794.4
Carlisle Brake & Friction	269.6	28.6	601.4	361.3	66.6	671.2
Carlisle FoodService Products	178.9	19.3	187.2	185.2	10.0	204.4
Carlisle Transportation Products	602.9	(58.4)	446.7	616.3	47.7	567.1

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Corporate			(36.0)		367.3		(37.0)		113.0			
Total	\$	2,821.9	\$	216.0	\$	3,596.9	\$	2,783.8	\$	347.1	\$	3,242.3

(1) Excludes intersegment sales

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On December 17, 2012, the Company acquired certain assets and assumed certain liabilities of Thermax (Thermax), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited (Raydex and together with Thermax, Thermax/Raydex), a company incorporated in England and Wales, for total cash consideration of approximately \$265.5 million, net of \$0.1 million cash acquired. The Company funded the acquisition with proceeds from its 3.75% senior unsecured notes due 2022 issued in November 2012. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen the Company's interconnect products business by expanding its product and service range to its customers. Thermax/Raydex operates within the Interconnect Technologies segment.

The following table summarizes the consideration transferred to acquire Thermax/Raydex and the preliminary allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that the consideration be allocated to the acquired assets and assumed liabilities based on their acquisition date fair values with the remainder allocated to goodwill.

	Preliminary Allocation	Measurement Period Adjustments Nine Months Ended	Revised Preliminary Allocation
(in millions)	As of 12/31/2012	9/30/2013	As of 9/30/2013
Total cash consideration transferred	\$ 265.6		