

TECHNITROL INC  
Form 10-Q  
August 04, 2008

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UNITED STATES  
SECURITIES & EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

The Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the three months ended June 27, 2008, 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 No. 1-5375

**TECHNITROL, INC.**

(Exact name of registrant as specified in its Charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or organization)

23-1292472

(IRS Employer Identification Number)

1210 Northbrook Drive, Suite 470

Trevose, Pennsylvania

(Address of principal executive offices)

19053

(Zip Code)

Registrant's telephone number, including area code:

215-355-2900

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 the filing requirements for at least the past 90 days.

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Act)

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of August 4, 2008: 40,995,413

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## PART I. FINANCIAL INFORMATION

## Item 1: Financial Statements

Technitrol, Inc. and Subsidiaries  
Consolidated Balance Sheets*In thousands*

	June 27, 2008	December 28, 2007
	<u>          </u>	<u>          </u>
	(unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 28,698	\$ 116,289
Trade receivables, net	216,174	164,859
Inventories	171,057	122,115
Prepaid expenses and other current assets	34,607	24,864
	<u>          </u>	<u>          </u>
Total current assets	450,536	428,127
Long-term assets:		
Property, plant and equipment	384,809	261,171
Less accumulated depreciation	184,091	163,404
	<u>          </u>	<u>          </u>
Net property, plant and equipment	200,718	97,767
Deferred income taxes	25,902	22,753
Goodwill, net	540,010	224,656
Other intangibles, net	31,043	34,794
Other assets	16,208	13,256
	<u>          </u>	<u>          </u>
	\$ 1,264,417	\$ 821,353
	<u>          </u>	<u>          </u>
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 125,245	\$ 104,214
Accrued expenses and other current liabilities	116,246	92,096
	<u>          </u>	<u>          </u>
Total current liabilities	241,491	196,310
Long-term liabilities:		
Long-term debt, excluding current installments	360,073	10,467
Deferred income taxes	11,357	12,528
Other long-term liabilities	32,323	31,022
Minority interest	10,342	9,947

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Shareholders' equity:		
Common stock and additional paid-in capital	224,001	222,593
Retained earnings	296,097	289,048
Other comprehensive income	88,733	49,438
	<u>        </u>	<u>        </u>
Total shareholders' equity	608,831	561,079
	<u>        </u>	<u>        </u>
	\$ 1,264,417	\$ 821,353
	<u>        </u>	<u>        </u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**Technitrol, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

(Unaudited)

*In thousands, except per share data*

	Three Months Ended		Six Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Net sales	\$ 319,489	\$ 258,512	\$ 594,347	\$ 512,944
Cost of sales	257,305	201,232	476,021	400,922
Gross profit	62,184	57,280	118,326	112,022
Selling, general and administrative expenses	51,963	33,738	92,775	70,474
Severance, impairment and other associated costs	2,672	1,308	4,637	11,223
Operating profit	7,549	22,234	20,914	30,325
Other (expense) income:				
Interest expense, net	(4,958)	(986)	(7,044)	(2,238)
Other (expense) income, net	(2,049)	1,018	1,861	1,269
Total other (expense) income	(7,007)	32	(5,183)	(969)
Earnings before income taxes and minority interest	542	22,266	15,731	29,356
Income taxes	753	1,229	1,124	3,418
Minority interest expense	313	95	394	285
Net (loss) earnings	\$ (524)	\$ 20,942	\$ 14,213	\$ 25,653
(Loss) earnings per share:				
Basic	\$ (0.01)	\$ 0.52	\$ 0.35	\$ 0.63
Diluted	\$ (0.01)	\$ 0.51	\$ 0.35	\$ 0.63

See accompanying Notes to Unaudited Consolidated Financial Statements.



**Technitrol, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

(Unaudited)  
*In thousands*

	Six Months Ended	
	June 27, 2008	June 29, 2007
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 14,213	\$ 25,653
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	24,873	16,469
Forward contract settlements	6,959	—
Stock incentive plan expense	1,425	1,941
Minority interest in net earnings of consolidated subsidiary	394	285
Severance, impairment and other associated costs, net of cash payments	(3,147)	8,206
Changes in assets and liabilities, net of effect of acquisitions:		
Trade receivables	(13,233)	(13,557)
Inventories	(6,531)	(2,196)
Prepaid expenses and other current assets	(5,616)	3,980
Accounts payable and accrued expenses	(8,324)	(10,284)
Other, net	1,570	(2,445)
	<b>12,583</b>	<b>28,052</b>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Acquisitions, net of cash acquired of \$6,556 in 2008	(425,848)	—
Forward contract settlements	(6,959)	—
Capital expenditures	(16,690)	(8,893)
Purchases of grantor trust investments available for sale	(375)	—
Proceeds from sale of property, plant and equipment	2,646	6,882
Foreign currency impact on intercompany lending	(5,822)	146
	<b>(453,048)</b>	<b>(1,865)</b>
<b>Net cash (used in) investing activities</b>		
<b>Cash flows from financing activities:</b>		
Long-term borrowings	386,000	3,342
Principal payments of long-term debt	(36,943)	(27,271)
Dividends paid	(7,156)	(7,142)
Exercise of stock options	52	582
	<b>52</b>	<b>582</b>

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Net cash provided by (used in) financing activities	341,953	(30,489)
	<u>          </u>	<u>          </u>
Net effect of exchange rate changes on cash	10,921	1,609
	<u>          </u>	<u>          </u>
Net (decrease) in cash and cash equivalents	(87,591)	(2,693)
	<u>          </u>	<u>          </u>
Cash and cash equivalents at beginning of period	116,289	87,195
	<u>          </u>	<u>          </u>
Cash and cash equivalents at end of period	\$ 28,698	\$ 84,502
	<u>          </u>	<u>          </u>

See accompanying Notes to Unaudited Consolidated Financial Statements.



**Technitrol, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity**

Six Months Ended June 27, 2008

(Unaudited)

*In thousands, except per share data*

	Common stock and paid-in capital		Retained earnings	Accumulated other comprehensive income	Comprehensive income
	Shares	Amount			
Balance at December 28, 2007	40,901	\$ 222,593	\$ 289,048	\$ 49,438	
Stock options, awards and related compensation	94	1,408	—	—	
Dividends declared (\$0.0875 per share)	—	—	(7,164)	—	
Net earnings	—	—	14,213	—	\$ 14,213
Currency translation adjustments	—	—	—	39,707	39,707
Unrealized holding losses on securities	—	—	—	(412)	(412)
<b>Comprehensive income</b>					<b>\$ 53,508</b>
Balance at June 27, 2008	40,995	\$ 224,001	\$ 296,097	\$ 88,733	