

CARPENTER TECHNOLOGY CORP

Form 10-Q

May 04, 2007

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UNITED STATES
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 March 31, 2007

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 1-5828

CARPENTER TECHNOLOGY CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

23-0458500
(I.R.S. Employer
Identification No.)

P.O. Box 14662, Reading, Pennsylvania

19610

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(Address of principal executive offices)

610-208-2000

(Zip Code)

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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 April 27, 2007.

Common stock, \$5 par value
Class

26,163,310
Number of shares outstanding

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CARPENTER TECHNOLOGY CORPORATION

FORM 10-Q

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Table of Contents**PART I****Item 1. Financial Statements****CARPENTER TECHNOLOGY CORPORATION****CONSOLIDATED BALANCE SHEET****(Unaudited)****March 31, 2007 and June 30, 2006**

(in millions, except share data)

	March 31,	June 30,
	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 235.6	\$ 352.8
Marketable securities	349.3	141.8
Accounts receivable, net	296.0	234.7
Inventories	258.3	224.3
Deferred income taxes	6.2	13.7
Other current assets	59.8	32.0
Total current assets	1,205.2	999.3
Property, plant and equipment, net	532.8	541.1
Prepaid pension cost	246.8	247.1
Goodwill	46.4	46.4
Trademarks and trade names, net	19.4	20.1
Other assets	33.0	33.9
Total assets	\$ 2,083.6	\$ 1,887.9
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 201.8	\$ 137.4
Accrued liabilities	115.3	133.8
Current portion of long-term debt	0.2	0.2
Total current liabilities	317.3	271.4
Long-term debt, net of current portion	332.6	333.1
Accrued postretirement benefits	94.6	102.2
Deferred income taxes	181.0	189.0
Other liabilities	45.8	45.9
Total liabilities	971.3	941.6
STOCKHOLDERS EQUITY		
Convertible preferred stock authorized 2,000,000 shares; issued 290.4 shares at June 30, 2006		18.0
	136.1	132.5

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Common stock authorized 100,000,000 shares; issued 27,215,605 and 26,505,018 shares at March 31, 2007 and June 30, 2006, respectively		
Capital in excess of par value	320.5	294.2
Reinvested earnings	697.8	549.8
Common stock in treasury (1,063,115 shares and 990,610 shares at March 31, 2007 and June 30, 2006, respectively), at cost	(50.8)	(37.3)
Deferred compensation		(1.5)
Accumulated other comprehensive income (loss)	8.7	(9.4)
Total stockholders equity	1,112.3	946.3
Total liabilities and stockholders equity	\$ 2,083.6	\$ 1,887.9

See accompanying notes to consolidated financial statements.

Table of Contents**CARPENTER TECHNOLOGY CORPORATION****CONSOLIDATED STATEMENT OF INCOME****(Unaudited)****for the three and nine months ended March 31, 2007 and 2006**

(in millions, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
NET SALES	\$ 538.4	\$ 426.0	\$ 1,384.2	\$ 1,117.7
Cost of sales	410.5	301.9	1,055.3	808.2
Gross profit	127.9	124.1	328.9	309.5
Selling and administrative expenses	32.2	31.8	97.4	89.7
Operating income	95.7	92.3	231.5	219.8
Interest expense	5.7	5.9	17.2	17.8
Other income, net	(6.0)	(4.0)	(23.6)	(15.8)
Income before income taxes	96.0	90.4	237.9	217.8
Income tax expense	29.4	29.6	72.0	74.0
NET INCOME	\$ 66.6	\$ 60.8	\$ 165.9	\$ 143.8
EARNINGS PER COMMON SHARE:				
Basic	\$ 2.59	\$ 2.39	\$ 6.45	\$ 5.67
Diluted	\$ 2.53	\$ 2.32	\$ 6.30	\$ 5.51
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	25.7	25.3	25.6	25.2
Diluted	26.3	26.1	26.3	25.9
Cash dividends per common share	\$ 0.225	\$ 0.15	\$ 0.675	\$ 0.45

See accompanying notes to consolidated financial statements.

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CARPENTER TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

for the three and nine months ended March 31, 2007 and 2006

(in millions)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
Net income	\$ 66.6	\$ 60.8	\$ 165.9	\$ 143.8
Unrealized gain on securities classified as available-for-sale, net of income taxes of less than \$0.1				0.2
Net gain (loss) on derivative instruments, net of tax (expense) benefits of (\$6.8), \$0.8, (\$7.7) and \$1.2, respectively	11.5	(1.4)	13.1	(2.3)
Foreign currency translation gain (loss)	0.3	0.2	5.0	(0.8)
Comprehensive income	\$ 78.4	\$ 59.6	\$ 184.0	\$ 140.9

See accompanying notes to consolidated financial statements.

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CARPENTER TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

for the nine months ended March 31, 2007 and 2006

(in millions)

	March 31, 2007	March 31, 2006
OPERATING ACTIVITIES:		
Net income	\$ 165.9	\$ 143.8
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	34.6	34.1
Amortization	1.2	1.4
Deferred income taxes	(8.4)	(3.0)
Net pension expense	3.6	8.1
Net loss on asset disposals	0.4	0.3
Changes in working capital and other:		
Receivables	(58.1)	(40.2)
Inventories	(32.2)	(34.0)
Other current assets	(6.3)	7.2
Accounts payable	63.9	7.8
Accrued current liabilities	(16.0)	4.3
Other, net	(1.9)	(8.2)
Net cash provided from operating activities	146.7	121.6
INVESTING ACTIVITIES:		
Purchases of plant, equipment and software	(27.8)	(13.7)
Proceeds from disposals of plant and equipment	0.2	0.3
Purchases of marketable securities	(544.2)	(236.5)
Sales of marketable securities	336.7	253.5
Net cash (used for) provided from investing activities	(235.1)	3.6
FINANCING ACTIVITIES:		
Payments on long-term debt	(0.2)	(0.2)
Payments to acquire treasury stock	(13.9)	
Dividends paid	(17.9)	(12.4)
Tax benefits on share-based compensation	4.9	
Proceeds from common stock options exercised	2.7	12.4
Net cash used for financing activities	(24.4)	(0.2)
Effect of exchange rate changes on cash and cash equivalents	(4.4)	1.1
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(117.2)	126.1
Cash and cash equivalents at beginning of period	352.8	159.5

Cash and cash equivalents at end of period	\$ 235.6	\$ 285.6
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UBS AG Buffered Return Optimization Securities due on or about December 16, 2019

Preliminary Terms Supplement dated December 11, 2018

(To Prospectus Supplement dated November 1, 2018,

Product Supplement dated October 31, 2018 and

Prospectus dated October 31, 2018)

UBS Investment Bank

UBS Financial Services Inc.