

CRANE CO /DE/
Form 10-Q
May 08, 2009

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, 2009

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: 1-1657

CRANE CO.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-1952290
(I.R.S. Employer
Identification No.)

100 First Stamford Place, Stamford, CT
(Address of principal executive offices)

06902
(Zip Code)

Registrant's telephone number, including area code: 203-363-7300

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report)

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

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

The number of shares outstanding of the issuer's classes of common stock, as of April 30, 2009

Common stock, \$1.00 Par Value 58,439,243 shares

Part I - Financial Information

Item 1. Financial Statements

Crane Co. and Subsidiaries

Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Net sales	\$ 555,139	\$ 678,868
Operating costs and expenses:		
Cost of sales	382,010	452,531
Selling, general and administrative	135,245	150,988
Operating profit	37,884	75,349
Other income (expense):		
Interest income	843	2,284
Interest expense	(6,770)	(6,505)
Miscellaneous - net	1,592	330
	(4,335)	(3,891)
Income before income taxes	33,549	71,458
Provision for income taxes	10,238	23,080
Net income	\$ 23,311	\$ 48,378
Basic net income per share:	\$ 0.40	\$ 0.81
Diluted net income per share:	\$ 0.40	\$ 0.79
Average basic shares outstanding	58,453	60,040
Average diluted shares outstanding	58,543	60,955
Dividends per share	\$ 0.20	\$ 0.18

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	(Unaudited) March 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 210,315	\$ 231,840
Accounts receivable, net	324,596	334,263
Current insurance receivable - asbestos	35,300	41,300
Inventories, net:		
Finished goods	97,352	97,496
Finished parts and subassemblies	40,257	41,345
Work in process	62,822	60,106
Raw materials	151,625	150,979
Inventories, net	352,056	349,926
Other current assets	67,320	63,911
Total current assets	989,587	1,021,240
Property, plant and equipment:		
Cost	777,069	786,526
Less: accumulated depreciation	489,271	495,712
Property, plant and equipment, net	287,798	290,814
Long-term insurance receivable - asbestos	244,956	260,660
Long-term deferred tax assets	223,250	233,165
Other assets	79,609	80,676
Intangible assets, net	109,351	106,701
Goodwill	765,516	781,232
Total assets	\$ 2,700,067	\$ 2,774,488

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	(Unaudited) March 31, 2009	December 31, 2008
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings	\$ 7,507	\$ 16,622
Accounts payable	156,917	182,147
Current asbestos liability	91,000	91,000
Accrued liabilities	243,164	246,915
U.S. and foreign taxes on income	228	1,980
Total current liabilities	498,816	538,664
Long-term debt	398,523	398,479
Accrued pension and postretirement benefits	151,691	150,125
Long-term deferred tax liability	22,533	22,971
Long-term asbestos liability	820,447	839,496
Other liabilities	69,835	78,932
Total liabilities	1,961,845	2,028,667
Commitments and Contingencies (Note 8)		
Equity:		
Preferred shares, par value \$.01; 5,000,000 shares authorized		
Common stock, par value \$1.00; 200,000,000 shares authorized, 72,426,139 shares issued	72,426	72,426
Capital surplus	154,233	157,078
Retained earnings	947,381	935,460
Accumulated other comprehensive income	(66,030)	(45,131)
Treasury stock	(377,704)	(381,771)
Total shareholders' equity	730,306	738,062
Noncontrolling interest	7,916	7,759
Total equity	738,222	745,821
Total liabilities and equity	\$ 2,700,067	\$ 2,774,488
Common stock issued	72,426,139	72,426,139
Less: Common stock held in treasury	(13,985,143)	(13,936,373)
Common stock outstanding	58,440,996	58,489,766

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Operating activities:		
Net income	\$ 23,311	\$ 48,378
Depreciation and amortization	15,053	14,983
Stock-based compensation expense	2,062	3,615
Deferred income taxes	8,694	6,097
Cash used for working capital	(27,619)	(29,834)
Receipts (payments) for asbestos-related fees and costs, net of insurance recoveries	2,656	(2,061)
Other	(8,773)	2,951
Total provided by operating activities	15,384	44,129
Investing activities:		
Capital expenditures	(9,974)	(9,080)
Proceeds from disposition of capital assets	1,703	676
Payment for acquisitions, net of cash acquired		(85)
Proceeds from divestiture		506
Total used for investing activities	(8,271)	(7,983)
Financing activities:		
Equity:		
Dividends paid	(11,688)	(10,795)
Reacquisition of shares on the open market		(40,000)
Stock options exercised - net of shares reacquired	(637)	3,556
Excess tax benefit from stock-based compensation		107
Debt:		
Net (decrease) increase in short-term debt	(9,316)	9,037
Total used for financing activities	(21,641)	(38,095)
Effect of exchange rates on cash and cash equivalents	(6,997)	13,307
(Decrease) increase in cash and cash equivalents	(21,525)	11,358
Cash and cash equivalents at beginning of period	231,840	283,370
Cash and cash equivalents at end of period	\$ 210,315	\$ 294,728
Detail of cash used for working capital:		
Accounts receivable	\$ 4,451	\$ (24,382)
Inventories	(6,945)	(15,171)
Other current assets	307	(592)
Accounts payable	(22,845)	19,427
Accrued liabilities	(1,233)	(10,365)
U.S. and foreign taxes on income	(1,354)	1,249

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Total		\$ (27,619)	\$ (29,834)
Supplemental disclosure of cash flow information:			
Interest paid		\$ 6,199	\$ 5,918
Income taxes (received) paid		\$ (10,692)	\$ 15,268

See Notes to Condensed Consolidated Financial Statements.

Part I Financial Information

Item 1. Financial Statements

Notes to Condensed Consolidated Financial Statements (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 of America for interim financial reporting and the instructions to Form 10-Q and, therefore, reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These interim consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

2. Recent Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS No. 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS No. 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS No. 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS No. 161 in the first quarter of 2009. See Note 12, Derivative Instruments and Hedging Activities .

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). This statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements. In February 2008, the FASB issued Staff Positions SFAS No. 157-1 and SFAS No. 157-2 which delayed the effective date of SFAS No. 157 for one year for certain non-financial assets and non-financial liabilities and removed certain leasing transactions from its scope. The Company adopted SFAS No. 157 effective January 1, 2008 for financial assets and financial liabilities measured on a recurring basis (see Note 13, Fair Value Measurements). The adoption of SFAS No. 157-1 and SFAS No. 157-2 did not have a material impact on the Company's financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree and recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS No. 141(R) also sets forth the disclosures required to be made in the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The effects of the adoption of this standard in 2009 will be prospective.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards that require that the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. SFAS No. 160 also requires that any

retained noncontrolling equity investment in the former subsidiary be initially measured at fair value when a subsidiary is deconsolidated. SFAS No. 160 also sets forth the disclosure requirements to identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS 160 did not have a material impact on the Company's financial statements. Net income included \$0.2 million and \$0.1 million attributable to noncontrolling interests for the three months ended March 31, 2009 and 2008, respectively.

3. Segment Results

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. The Company has five reporting segments: Aerospace & Electronics, Engineered Materials, Merchandising Systems, Fluid Handling and Controls. Corporate consists of corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs. Assets of the business segments exclude general corporate assets, which principally consist of cash, deferred tax assets, insurance receivables, certain property, plant and equipment, and certain other assets.

Financial information by reportable segment is set forth below:

<i>(in thousands)</i>	Three Months Ended	
	2009	March 31, 2008
<u>Net Sales</u>		
Aerospace & Electronics	\$ 151,947	\$ 158,451
Engineered Materials	38,152	82,773
Merchandising Systems	71,694	113,504
Fluid Handling	266,497	288,500
Controls	26,849	35,640
Total	\$ 555,139	\$ 678,868
<u>Operating Profit</u>		
Aerospace & Electronics	\$ 17,233	\$ 15,995
Engineered Materials	1,487	11,654
Merchandising Systems	2,980	14,138
Fluid Handling	36,767	44,762
Controls	414	1,300
Corporate*	(20,997)	(12,500)