

NEWELL RUBBERMAID INC
Form 10-Q
November 09, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

for the Quarterly Period Ended September 30, 2009

Commission File Number 1-9608

NEWELL RUBBERMAID INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

36-3514169
(I.R.S. Employer
Identification No.)

Three Glenlake Parkway

Atlanta, Georgia 30328

(Address of principal executive offices)

(Zip Code)

(770) 418-7000

(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

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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 the 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 Smaller reporting company
(Do not check if a 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

Number of shares of common stock outstanding (net of treasury shares) as of September 30, 2009: 277.7 million.

Table of Contents

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	39
<u>Item 4. Controls and Procedures</u>	39
<u>PART II. OTHER INFORMATION</u>	40
<u>Item 1. Legal Proceedings</u>	40
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 6. Exhibits</u>	40
<u>SIGNATURES</u>	41
<u>302 Certification of Chief Executive Officer</u>	
<u>302 Certification of Chief Financial Officer</u>	
<u>906 Certification of Chief Executive Officer</u>	
<u>906 Certification of Chief Financial Officer</u>	
<u>Safe Harbor Statement</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****NEWELL RUBBERMAID INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)***(Amounts in millions, except per share data)*

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Net sales	\$ 1,449.0	\$ 1,760.3	\$ 4,157.2	\$ 5,019.1
Cost of products sold	906.4	1,185.6	2,633.5	3,330.7
GROSS MARGIN	542.6	574.7	1,523.7	1,688.4
Selling, general and administrative expenses	350.3	394.3	991.1	1,148.2
Restructuring costs	27.0	13.5	87.0	101.3
OPERATING INCOME	165.3	166.9	445.6	438.9
Nonoperating expenses:				
Interest expense, net	35.7	38.8	106.6	103.3
Other expense, net	0.6	54.8	2.5	55.0
Net nonoperating expenses	36.3	93.6	109.1	158.3
INCOME BEFORE INCOME TAXES	129.0	73.3	336.5	280.6
Income taxes	43.5	17.7	111.6	74.3
INCOME FROM CONTINUING OPERATIONS	85.5	55.6	224.9	206.3
Loss from discontinued operations, net of tax (1)				(0.5)
NET INCOME	85.5	55.6	224.9	205.8
NET INCOME NONCONTROLLING INTERESTS		0.6		1.4
NET INCOME CONTROLLING INTERESTS	\$ 85.5	\$ 55.0	\$ 224.9	\$ 204.4
Weighted average shares outstanding:				
Basic	280.8	279.9	280.7	279.8
Diluted	301.8	279.9	289.7	279.9
Earnings per share:				
Basic				
Income from continuing operations	\$ 0.30	\$ 0.20	\$ 0.80	\$ 0.73
Loss from discontinued operations				
Net income controlling interests	\$ 0.30	\$ 0.20	\$ 0.80	\$ 0.73
Diluted				
Income from continuing operations	\$ 0.28	\$ 0.20	\$ 0.78	\$ 0.73

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Loss from discontinued operations					
Net income controlling interests	\$	0.28	\$	0.20	\$ 0.78 \$ 0.73
Dividends per share	\$	0.05	\$	0.21	\$ 0.21 \$ 0.63

(1) Loss from discontinued operations is attributed to controlling interests.
See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**NEWELL RUBBERMAID INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)***(Amounts in millions)*

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 313.0	\$ 275.4
Accounts receivable, net	943.7	969.3
Inventories, net	783.5	912.1
Deferred income taxes	128.7	100.4
Prepaid expenses and other	93.5	136.6
TOTAL CURRENT ASSETS	2,262.4	2,393.8
PROPERTY, PLANT AND EQUIPMENT, NET	596.9	630.7
DEFERRED INCOME TAXES	20.5	107.8
GOODWILL	2,759.4	2,698.9
OTHER INTANGIBLE ASSETS, NET	647.7	640.5
OTHER ASSETS	336.4	320.8
TOTAL ASSETS	\$ 6,623.3	\$6,792.5

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**NEWELL RUBBERMAID INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (CONTINUED)***(Amounts in millions, except par value)*

	September 30, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 454.1	\$ 535.5
Accrued compensation	148.5	79.5
Other accrued liabilities	694.5	858.1
Short-term debt	74.0	8.3
Current portion of long-term debt	560.3	752.7
TOTAL CURRENT LIABILITIES	1,931.4	2,234.1
LONG-TERM DEBT	2,032.6	2,118.3
OTHER NONCURRENT LIABILITIES	817.9	851.5
STOCKHOLDERS' EQUITY:		
Preferred stock, authorized shares, 10.0 at \$1.00 par value		
None issued and outstanding		
Common stock, authorized shares, 800.0 at \$1.00 par value	293.9	293.1
Outstanding shares, before treasury:		
2009 - 293.9		
2008 - 293.1		
Treasury stock, at cost:	(420.5)	(418.0)
Shares held:		
2009 - 16.2		
2008 - 16.0		
Additional paid-in capital	660.3	606.7
Retained earnings	1,774.2	1,606.6
Accumulated other comprehensive loss	(470.0)	(502.4)
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO PARENT	1,837.9	1,586.0
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3.5	2.6
TOTAL STOCKHOLDERS' EQUITY	1,841.4	1,588.6
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,623.3	\$6,792.5

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**NEWELL RUBBERMAID INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)***(Amounts in millions)*

	Nine Months Ended	
	September 30,	
	2009	2008
OPERATING ACTIVITIES:		
Net income controlling interests	\$ 224.9	\$ 204.4
Adjustments to reconcile net income controlling interests to net cash provided by operating activities:		
Depreciation and amortization	129.6	137.5
Deferred income taxes	11.2	23.8
Non-cash restructuring costs	24.2	45.3
Loss on sale of assets	0.1	
Stock-based compensation expense	25.9	27.5
Loss on disposal of discontinued operations		0.5
Other, net	19.9	50.4
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	49.6	36.9
Inventories	153.7	(85.4)
Accounts payable	(87.6)	(44.5)
Accrued liabilities and other	(135.8)	(151.2)
Discontinued operations		(2.2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	415.7	243.0
INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(13.2)	(660.4)
Capital expenditures	(107.7)	(122.1)
Proceeds from sales of noncurrent assets	6.9	6.4
NET CASH USED IN INVESTING ACTIVITIES	(114.0)	(776.1)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt, net of debt issuance costs	827.3	1,317.6
Proceeds from issuance of warrants	32.7	
Purchase of call options	(69.0)	
Payments on notes payable and debt	(969.3)	(711.0)
Cash dividends	(57.3)	(176.1)
Purchase of noncontrolling interests in consolidated subsidiaries	(29.0)	
Other, net	(4.4)	(2.5)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(269.0)	428.0
Currency rate effect on cash and cash equivalents	4.9	(3.5)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37.6	(108.6)
Cash and cash equivalents at beginning of period	275.4	329.2

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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 313.0	\$ 220.6
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See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

NEWELL RUBBERMAID INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Footnote 1 Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Newell Rubbermaid Inc. (collectively with its subsidiaries, the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and do not include all the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and the results of operations. It is recommended that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements and the footnotes thereto included in the Company's latest Annual Report on Form 10-K.

Seasonal Variations: The Company's sales and operating income in the first quarter are generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the quarter.

Recently Adopted Accounting Guidance: In February 2008, the Financial Accounting Standards Board (FASB) issued authoritative guidance which deferred the effective date of an existing accounting standard as it relates to fair value measurement requirements for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis until January 1, 2009. The adoption of this new guidance for the Company's nonfinancial assets and nonfinancial liabilities did not have a material impact on the Company's financial statements.

In December 2007, the FASB issued amended authoritative guidance related to business combinations which significantly changed the accounting for business combination transactions by requiring an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value. The guidance also requires acquiring entities to expense transaction costs associated with the acquisition and expense certain restructuring costs associated with integrating the acquired operations, both of which were previously capitalizable as part of an acquisition. Additionally, the guidance modifies the accounting treatment for certain specified items related to business combinations and requires a substantial number of new disclosures. The new guidance became effective for the Company for business combinations with an acquisition date after January 1, 2009. The adoption of the revised guidance did not have an impact on the Company's financial statements, but it could have a material effect on the way the Company accounts for future acquisitions.

In April 2009, the FASB issued authoritative guidance addressing application issues associated with initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is after January 1, 2009. The adoption of this guidance did not have an impact on the Company's financial statements, but it could have a material effect on the way the Company accounts for future acquisitions.

In December 2007, the FASB issued authoritative guidance which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income (loss) attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This guidance also establishes reporting requirements that require sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. Effective January 1, 2009, the Company retrospectively adopted the presentation and disclosure requirements of this guidance and prospectively adopted all other requirements. The adoption of this guidance resulted in the reclassification of the minority interest in net income (loss) of subsidiaries from other expense (income), net to net income noncontrolling interests in the Condensed Consolidated Statements of Income and the reclassification of the minority interest in the stockholders' equity of consolidated subsidiaries from other noncurrent liabilities to stockholders' equity attributable to noncontrolling interests in the Condensed Consolidated Balance Sheets. The adoption of this guidance on January 1, 2009 also resulted in the Company classifying \$29.0 million for the purchase of minority interests in consolidated subsidiaries as a financing cash flow in the nine months ended September 30, 2009, and similar transactions would have been classified as an investing cash flow prior to the adoption of this guidance. The adoption of this guidance will continue to impact how transactions between the Company and minority shareholders are presented and classified in the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows.

Table of Contents

In conjunction with its adoption of the FASB's accounting and disclosure guidance for noncontrolling interests, the Company also adopted certain authoritative guidance applicable for all noncontrolling interests where the Company is required to purchase noncontrolling interests in a consolidated subsidiary from the noncontrolling interest holder at a specified future date, and the purchase is outside of the Company's control. The Company was required to purchase the noncontrolling interest in an international subsidiary at fair value, \$28.2 million, in the nine months ended September 30, 2009. In connection with the adoption of this guidance, the Condensed Consolidated Balance Sheet as of December 31, 2008 has been adjusted to reflect the estimated fair value of the noncontrolling interest the Company was required to purchase, \$28.2 million, as an increase in other accrued liabilities and as a decrease in retained earnings. The following table summarizes the impact of the retrospective adoption of the accounting guidance on the Company's balance sheet as of December 31, 2008 (*in millions*):

	Other	Other	
	Accrued	Noncurrent	
	Liabilities	Liabilities	Retained