MANITOWOC CO INC
Form 10-Q
August 10, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2009

or

o **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

1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin	**39-0448110**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2400 South 44th Street, Manitowoc, Wisconsin	**54221-0066**
(Address of principal executive offices)	(Zip Code)

(920) 684-4410

(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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 o No o

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 x	Accelerated filer o
Non-accelerated filer o	Smaller Reporting Company o
(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 o No x

The number of shares outstanding of the Registrant s common stock, $.01 par value, as of June 30, 2009, the most recent practicable date, was 130,546,654

Table of Contents

THE MANITOWOC COMPANY, INC.

FORM 10-Q INDEX

FOR THE QUARTER ENDED JUNE 30, 2009

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Operations

For the Three and Six Months Ended June 30, 2009 and 2008

(Unaudited)

(In millions, except per-share and average shares data)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net sales	$ 1,034.8	$ 1,191.1	$ 2,062.3	$ 2,179.6
Costs and expenses:				
Cost of sales	798.0	904.0	1,620.5	1,649.7
Engineering, selling and administrative expenses	153.3	110.2	287.3	218.6
Asset impairments			700.0	
Restructuring expense	21.5		25.9	
Integration expense	2.0		3.5	
Amortization expense	8.4	1.7	16.7	3.5
Total operating costs and expenses	983.2	1,015.9	2,653.9	1,871.8
Earnings (loss) from operations	51.6	175.2	(591.6)	307.8
Other income (expenses):				
Amortization of deferred financing fees	(11.4)	(0.2)	(19.8)	(0.4)
Interest expense	(41.0)	(7.1)	(81.4)	(13.6)
Loss on debt extinguishment	(2.1)		(2.1)	
Other income, net	4.1	0.8	6.2	8.1
Total other income (expenses)	(50.4)	(6.5)	(97.1)	(5.9)
Earnings (loss) from continuing operations before taxes on income	1.2	168.7	(688.7)	301.9
Provision (benefit) for taxes on income	(6.2)	47.6	(67.2)	85.4
Earnings (loss) from continuing operations	7.4	121.1	(621.5)	216.5
Discontinued operations:				
Earnings (loss) from discontinued operations, net of income taxes of $1.5, $5.0, $1.9 and $7.9, respectively	(3.0)	12.7	(31.4)	20.0
Loss on sale of discontinued operations, net of income taxes of $16.9 and $16.9, respectively	(23.2)		(23.2)	
Net earnings (loss)	(18.8)	133.8	(676.1)	236.5

Less: Net loss attributable to noncontrolling interest, net of tax	(0.7)	(0.1)	(1.7)	(0.1)
Net earnings (loss) attributable to Manitowoc	(18.1)	133.9	(674.4)	236.6
Amounts attributable to the Manitowoc common shareholders:				
Earnings (loss) from continuing operations	8.1	121.2	(619.8)	216.6
Earnings (loss) from discontinued operations, net of income taxes	(3.0)	12.7	(31.4)	20.0
Loss on sale of discontinued operations, net of income taxes	(23.2)		(23.2)	
Net earnings (loss) attributable to Manitowoc	(18.1)	133.9	(674.4)	236.6
Basic earnings (loss) per common share:				
Earnings (loss) from continuing operations attributable to Manitowoc common shareholders	0.06	0.93	(4.76)	1.67
Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders	(0.02)	0.10	(0.24)	0.15
Loss on sale of discontinued operations, net of income taxes	(0.18)		(0.18)	
Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders	(0.14)	1.03	(5.18)	1.82
Diluted earnings (loss) per common share:				
Earnings (loss) from continuing operations attributable to Manitowoc common shareholders	0.06	0.92	(4.76)	1.64
Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders	(0.02)	0.10	(0.24)	0.15
Loss on sale of discontinued operations, net of income taxes	(0.18)		(0.18)	
Earnings (loss) per share attributable to Manitowoc common shareholders	(0.14)	1.01	(5.18)	1.79
Weighted average shares outstanding basic	130,163,718	129,903,658	130,161,564	129,737,054
Weighted average shares outstanding diluted	130,163,718	132,048,864	130,161,564	131,913,742

See accompanying notes which are an integral part of these statements.

Table of Contents

THE MANITOWOC COMPANY, INC.

Consolidated Balance Sheets

As of June 30, 2009 and December 31, 2008

(Unaudited)

(In millions, except share data)

	June 30, 2009	December 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	$ 120.0	$ 173.0
Marketable securities	2.6	2.6
Restricted cash	5.2	5.1
Accounts receivable, less allowances of $36.5 and $36.3, respectively	513.8	608.2
Inventories net	787.4	925.3
Deferred income taxes	159.6	138.1
Other current assets	148.6	157.2
Current assets of discontinued operations		124.8
Total current assets	1,737.2	2,134.3
Property, plant and equipment net	719.4	728.8
Goodwill	1,236.3	1,890.5
Other intangible assets net	951.7	1,009.0
Other non-current assets	189.0	179.7
Long-term assets of discontinued operations		123.1
Total assets	$ 4,833.6	$ 6,065.4
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 858.7	$ 1,206.3
Short-term borrowings	195.8	182.3
Income taxes payable	79.9	
Product warranties	100.2	102.0
Customer advances	46.0	48.5
Product liabilities	29.9	34.4
Current liabilities of discontinued operations		44.6
Total current liabilities	1,310.5	1,618.1
Non-Current Liabilities:		
Long-term debt	2,337.0	2,473.0
Deferred income taxes	294.2	283.7
Pension obligations	42.5	48.0
Postretirement health and other benefit obligations	54.9	55.9
Long-term deferred revenue	43.7	56.3
Other non-current liabilities	146.4	228.8
Total non-current liabilities	2,918.7	3,145.7
Commitments and contingencies (Note 15)		
Total Equity:		

Common stock (300,000,000 shares authorized, 163,175,928 shares issued, 130,546,654 and 130,359,554 shares outstanding, respectively)	1.4	1.4
Additional paid-in capital	438.1	436.1
Accumulated other comprehensive income	50.1	68.5
Retained earnings	203.1	882.7
Treasury stock, at cost (32,629,274 and 32,816,374 shares, respectively)	(88.4)	(88.9)
Total Manitowoc stockholders equity	604.3	1,299.8
Noncontrolling interest	0.1	1.8
Total equity	604.4	1,301.6
Total liabilities and equity	$ 4,833.6	$ 6,065.4

See accompanying notes which are an integral part of these statements.

Table of Contents

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2009 and 2008

(Unaudited, In millions)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash Flows from Operations:		
Net earnings (loss)	$ (676.1)	$ 236.5
Adjustments to reconcile net earnings to cash provided by operating activities of continuing operations:		
Asset impairments	700.0	
Discontinued operations, net of income taxes	31.4	(20.0)
Depreciation	49.1	39.6
Amortization of intangible assets	16.7	3.5
Deferred income taxes	(65.1)	2.6
Loss (gain) on sale of property, plant and equipment	0.7	(0.8)
Restructuring expense	25.9	
Amortization of deferred financing fees	21.9	0.4
Loss on sale of discontinued operations	23.2	
Other	4.5	3.4
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	100.0	(37.9)
Inventories	143.6	(193.0)
Other assets	13.6	(5.9)
Accounts payable	(240.8)	81.9
Accrued expenses and other liabilities	(152.8)	25.0
Net cash provided by (used for) operating activities of continuing operations	(4.2)	135.3
Net cash provided by (used for) operating activities of discontinued operations	(13.7)	16.5
Net cash provided by (used for) operating activities	(17.9)	151.8
Cash Flows from Investing:		
Business acquisitions, net of cash acquired		(18.1)
Capital expenditures	(44.3)	(64.5)
Change in restricted cash	(0.1)	10.2
Proceeds from sale of business	148.8	
Proceeds from sale of property, plant and equipment	1.9	3.1
Purchase of marketable securities		(0.1)
Net cash provided by (used for) investing activities of continuing operations	106.3	(69.4)
Net cash used for investing activities of discontinued operations		(1.3)
Net cash provided by (used for) investing activities	106.3	(70.7)
Cash Flows from Financing:		
Proceeds from revolving credit facility	77.7	
Payments on long-term debt	(282.8)	(39.0)
Proceeds from long-term debt	92.1	10.7
Payments on notes financing	(7.3)	(2.8)
Debt issuance costs	(17.0)	(13.4)

Dividends paid	(5.2)	(5.2)
Exercises of stock options, including windfall tax benefits	(0.7)	7.7
Net cash used for financing activities	(143.2)	(42.0)
Effect of exchange rate changes on cash	1.8	10.4
Net increase (decrease) in cash and cash equivalents	(53.0)	49.5
Balance at beginning of period	173.0	366.8
Balance at end of period	$ 120.0	$ 416.3

See accompanying notes which are an integral part of these statements.

Table of Contents

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Comprehensive Income

For the Three and Six Months Ended June 30, 2009 and 2008
(Unaudited)
(In millions)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net earnings (loss)	$ (18.8)	$ 133.8	$ (676.1)	$ 236.5
Other comprehensive income (loss)				
Derivative instrument fair market value adjustment - net of income taxes	16.8	(3.5)	5.6	1.9
Foreign currency translation adjustments	15.4	(2.8)	(24.1)	46.1
Total other comprehensive income (loss)	32.2	(6.3)	(18.5)	48.0
Comprehensive income (loss)	13.4	127.5	(694.6)	284.5
Comprehensive loss attributable to noncontrolling interest	(0.7)	(0.1)	(1.7)	(0.1)
Comprehensive income (loss) attributable to Manitowoc	$ 14.1	$ 127.6	$ (692.9)	$ 284.6

See accompanying notes which are an integral part of these statements.

Table of Contents

THE MANITOWOC COMPANY, INC.

Notes to Unaudited Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2009 and 2008

1. Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the results of operations and comprehensive income for the three and six months ended June 30, 2009 and 2008, the cash flows for the same six-month periods, and the financial position at June 30, 2009, and except as otherwise discussed such adjustments consist of only those of a normal recurring nature. The interim results are not necessarily indicative of results for a full year and do not contain information included in the company s annual consolidated financial statements and notes for the year ended December 31, 2008. The consolidated balance sheet as of December 31, 2008 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company s latest annual report.

All dollar amounts, except share and per share amounts, are in millions of dollars throughout the tables included in these notes unless otherwise indicated.

Certain prior period amounts have been reclassified to conform to the current period presentation as a result of the completed sale of the Marine segment to Fincantieri Marine Group Holdings Inc. on December 31, 2008. See further detail related to the divestiture of the Marine segment at Note 3, Discontinued Operations.

2. Acquisitions

On October 27, 2008, Manitowoc acquired 100% of the issued and to be issued shares of Enodis plc (Enodis). Enodis is a global leader in the design and manufacture of innovative equipment for the commercial foodservice industry. This acquisition, the largest and most recent acquisition for Manitowoc, has established Manitowoc among the world s top manufacturers of commercial foodservice equipment. With this acquisition, the Foodservice segment capabilities now span refrigeration, ice-making, cooking, food-prep, and beverage-dispensing technologies, and allow Manitowoc to be able to equip entire commercial kitchens and serve the world s growing demand for food prepared away from home.

The aggregate purchase price was $2.1 billion, exclusive of the settlement of related hedges, in cash and there are no future contingent payments or options. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The company is in the process of finalizing third-party valuations of certain intangible assets; thus, the allocation of the purchase price is subject to future adjustment.

At October 27, 2008:		
Cash	$	56.9
Accounts receivable, net		157.9
Inventory, net		150.7
Other current assets		54.8
Current assets of discontinued operation		118.7
Total current assets		539.0
Property, plant and equipment		182.5
Intangible assets		930.0
Goodwill		1,296.0
Other non-current assets		40.9
Non-current assets of discontinued operation		337.0
Total assets acquired		3,325.4
Accounts payable		287.6
Other current liabilities		33.4
Current liabilities of discontinued operation		58.1
Total current liabilities		379.1
Long-term debt, less current portion		382.4
Other non-current liabilities		476.8
Non-current liabilities of discontinued operation		26.5
Total liabilities assumed		1,264.8
Net assets acquired	$	2,060.6

Table of Contents

Of the $930.0 million of acquired intangible assets, $371.0 million was assigned to registered trademarks and tradenames that are not subject to amortization, $165.0 million was assigned to developed technology with a weighted average useful life of 15 years, and the remaining $394.0 million was assigned to customer relationships with a weighted average useful life of 20 years. All of the $1,296.0 million of goodwill was assigned to the Foodservice segment, none of which is expected to be deductible for tax purposes. See further detail related to the goodwill and other intangible assets of the Enodis acquisition at Note 7, Goodwill and Other Intangible Assets.

The following unaudited pro forma information reflects the results of Manitowoc s operations for the three and six months ended June 30, 2008 as if the acquisition of Enodis had been completed on January 1, 2008. Pro forma adjustments have been made to illustrate the incremental impact on earnings of interest costs on the borrowings to acquire Enodis, amortization expense related to acquired intangible assets of Enodis, depreciation expense related to the fair value of the acquired depreciable tangible assets and the tax benefit associated with the incremental interest costs and amortization and depreciation expense. The following unaudited pro forma information includes $14.6 million in the six months ended June 30, 2008 of additional expense related to the fair value adjustment of inventories and excludes certain cost savings or operating synergies (including costs associated with realizing such savings or synergies) that may result from the acquisition.

(in $millions, except per share data)		**Three Months Ended June 30, 2008**		**Six Months Ended June 30, 2008**
Revenue				
Pro forma	$	1,537.7	$	2,848.9
As reported		1,191.1		2,179.6
Net Earnings				
Pro forma	$	106.5	$	175.1
As reported		133.9		236.6
Net Earnings per diluted share				
Pro forma	$	0.81	$	1.33
As reported		1.01		1.79

The unaudited pro forma information is provided for illustrative purposes only and does not purport to represent what our consolidated results of operations would have been had the transaction actually occurred as of January 1, 2008 and does not purport to project our future consolidated results of operations.

In connection with the acquisition of Enodis, certain restructuring activities have been undertaken to recognize cost synergies and rationalize the new cost structure of the Foodservice segment. Amounts included in the acquisition cost allocation for these activities are summarized in the following table and recorded in accounts payable and accrued expenses in the Consolidated Balance Sheets:

At October 27, 2008:		
Employee involuntary termination benefits	$	9.3
Facility closure costs		29.2
Other		5.0
Total	$	43.5

The finalization of the purchase price allocation during 2009 could have an impact on the above restructuring amounts.

The company has not presented pro-forma financial information for the following acquisition due to the immaterial dollar amount of the transaction and the immaterial impact on our results of operations:

On March 6, 2008, the company formed a 50% joint venture with the shareholders of Tai An Dongyue Heavy Machinery Co., Ltd. (Tai An Dongyue) for the production of mobile and truck-mounted hydraulic cranes. The joint venture is located in Tai An City, Shandong Province, China. The company controls 60% of the voting rights and has other rights that give it significant control over the operations of Tai An Dongyue, and accordingly, the results of this joint venture are consolidated by the company. On January 1, 2009, the company adopted SFAS No. 160, Non-Controlling Interests in Consolidated

Table of Contents

Financial Statements and has reflected the new requirements in the presentation of its first quarter financial statements. Tai An Dongyue is our only subsidiary impacted by the new standard. The aggregate consideration for the joint venture interest in Tai An Dongyue was $32.5 million and resulted in $23.5 million of goodwill and $8.5 million of other intangible assets being recognized by the company s Crane segment. See further detail related to the goodwill and other intangible assets of the Tai An Dongyue acquisition at Note 7, Goodwill and Other Intangible Assets.

3. Discontinued Operations

On December 31, 2008, the company completed the sale of its Marine segment to Fincantieri Marine Group Holdings Inc., a subsidiary of Fincantieri Cantieri Navali Italiani SpA. The sale price in the all-cash deal was approximately $120 million. This transaction allows the company to focus its financial assets and managerial resources on the growth of its increasingly global Crane and Foodservice businesses. The company reported the Marine segment as a discontinued operation in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . Results of the Marine segment in current and prior periods have been classified as discontinued in the Consolidated Financial Statements to exclude the results from continuing operations.

The following selected financial data of the Marine segment for the three and six months ended June 30, 2009 and 2008 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There was no general corporate expense or interest expense allocated to discontinued operations for this business during the periods presented.

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Net sales	$	$
Pretax loss from discontinued operation	$ (1.2)	$ (1.8)
Gain on sale, net of income taxes	0.7	0.7
Benefit for taxes on loss		(0.2)
Net loss from discontinued operation	$ (0.5)	$ (0.9)

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Net sales	$ 114.2	$ 202.6
Pretax earnings from discontinued operation	$ 17.7	$ 27.9
Provision for taxes on earnings	5.0	7.9
Net earnings from discontinued operation	$ 12.7	$ 20.0

In order to secure clearance for the acquisition of Enodis from various regulatory authorities including the European Commission and the United States Department of Justice, Manitowoc agreed to sell substantially all of Enodis global ice machine operations following completion of the transaction. On May 15, 2009, the company completed the sale of the Enodis global ice machine operations to Braveheart Acquisition, Inc., an affiliate of Warburg Pincus Private Equity X, L.P., for $160 million. The businesses sold were operated under the Scotsman, Ice-O-Matic, Simag, Barline, Icematic, and Oref brand names. The company also agreed to sell certain non-ice businesses of Enodis located in Italy that are operated under the Tecnomac and Icematic brand names. Prior to disposal, the antitrust clearances required that the ice businesses were treated as standalone operations, in competition with Manitowoc. The results of these operations have been classified as discontinued operations in compliance with SFAS No. 144.

The company used the net proceeds from the sale of the Enodis global ice machine operations of approximately $150 million to reduce the balance on Term Loan X that matures in April of 2010. The final sale price resulted in the company recording

Table of Contents

an additional $28.8 million non-cash impairment charge to reduce the value of the Enodis global ice machine operations in the first quarter of 2009. As a result of the impairment charge and the earnings of the businesses to be divested of $0.9 million, the total loss from discontinued operations related to the Enodis global ice machine operations was $27.9 million for the first quarter of 2009. For the second quarter through May 15, 2009, the loss from discontinued operations related to the Enodis global ice machine operations was $1.8 million. In addition, the company realized an after tax loss of $23.9 million on the sale of the Enodis global ice machine operations that was primarily driven by a taxable gain related to the assets held in the United States for U.S. tax purposes.

4. Financial Instruments

The company adopted SFAS No. 157, Fair Value Measurements effective January 1, 2008. The following tables sets forth the company s financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2009 and December 31, 2008 by level within the fair value hierarchy. As required by SFAS No. 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Current Assets:				
Foreign currency exchange contracts	$ 2.3	$	$	$ 2.3
Total Current assets at fair value	$ 2.3	$	$	$ 2.3
Current Liabilities:				
Foreign currency exchange contracts	$ 6.0	$	$	$ 6.0
Forward commodity contracts		1.8		1.8
Total Current liabilities at fair value	$ 6.0	$ 1.8	$	$