

CARPENTER TECHNOLOGY CORP

Form 10-Q

February 06, 2009

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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 December 31, 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 Number 1-5828

CARPENTER TECHNOLOGY CORPORATION

(Exact name of Registrant as specified in its Charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

P.O. Box 14662

Reading, Pennsylvania
(Address of principal executive offices)

19610
(Zip Code)

610-208-2000

(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, 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:

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 common stock as of January 28, 2009 was 44,062,166.

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CARPENTER TECHNOLOGY CORPORATION

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Items 2, 3 and 5 of Part II are omitted because there is no information to report.

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(in millions, except share data)

	December 31, 2008	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 267.2	\$ 403.3
Marketable securities	29.5	5.3
Accounts receivable, net	168.5	285.1
Inventories	319.6	209.0
Deferred income taxes	32.7	19.8
Other current assets	37.8	44.2
Total current assets	855.3	966.7
Property, plant and equipment, net	620.7	583.8
Prepaid pension cost	49.6	51.5
Goodwill	35.2	35.2
Other intangibles, net	19.3	19.8
Other assets	57.8	55.2
Total assets	\$ 1,637.9	\$ 1,712.2
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 125.0	\$ 158.4
Accrued liabilities	141.9	144.2
Current portion of long-term debt	23.0	23.0
Total current liabilities	289.9	325.6
Long-term debt, net of current portion	280.3	276.7
Accrued postretirement benefits	87.8	90.9
Deferred income taxes	85.9	95.7
Other liabilities	111.8	84.1
Total liabilities	855.7	873.0
Contingencies and commitments (see Note 8)		
STOCKHOLDERS EQUITY		
Common stock authorized 100,000,000 shares; issued 54,609,842 at December 31, 2008 and 54,608,142 shares at June 30, 2008; outstanding 44,075,269 at December 31, 2008 and 45,295,770 at June 30, 2008	273.0	273.0

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Capital in excess of par value	202.6	197.5
Reinvested earnings	1,036.4	996.6
Common stock in treasury (10,534,573 shares and 9,312,372 shares at December 31, 2008 and June 30, 2008, respectively), at cost	(530.2)	(484.0)
Accumulated other comprehensive loss	(199.6)	(143.9)
Total stockholders' equity	782.2	839.2
Total liabilities and stockholders' equity	\$ 1,637.9	\$ 1,712.2

See accompanying notes to consolidated financial statements.

Table of Contents**CARPENTER TECHNOLOGY CORPORATION****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

(in millions, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
NET SALES	\$ 361.8	\$ 442.8	\$ 775.4	\$ 890.9
Cost of sales	285.9	326.7	625.9	659.4
Gross profit	75.9	116.1	149.5	231.5
Selling, general and administrative expenses	36.2	36.6	69.5	69.8
Operating income	39.7	79.5	80.0	161.7
Interest expense	3.8	5.3	8.2	10.8
Other income, net	(6.5)	(12.1)	(10.3)	(18.4)
Income before income taxes	42.4	86.3	82.1	169.3
Income tax expense	12.6	29.2	26.5	56.8
Income from continuing operations	29.8	57.1	55.6	112.5
(Loss) income from discontinued operations		(1.0)		1.2
NET INCOME	\$ 29.8	\$ 56.1	\$ 55.6	\$ 113.7
EARNINGS PER COMMON SHARE:				
Basic:				
Income from continuing operations	\$ 0.68	\$ 1.17	\$ 1.26	\$ 2.26
(Loss) income from discontinued operations	\$	\$ (.02)	\$	\$ 0.02
Net income	\$ 0.68	\$ 1.15	\$ 1.26	\$ 2.28
Diluted:				
Income from continuing operations	\$ 0.68	\$ 1.16	\$ 1.26	\$ 2.25
(Loss) income from discontinued operations	\$	\$ (0.02)	\$	\$ 0.02
Net income	\$ 0.68	\$ 1.14	\$ 1.26	\$ 2.27
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	43.7	48.7	44.0	49.9

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Diluted	44.0	49.0	44.3	50.2
Cash dividends per common share	\$ 0.18	\$ 0.15	\$ 0.36	\$ 0.30

See accompanying notes to consolidated financial statements.

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CARPENTER TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)

(in millions)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Net income	\$ 29.8	\$ 56.1	\$ 55.6	\$ 113.7
Net loss on derivative instruments, net of tax benefits of \$14.1, \$3.4, \$21.8 and \$7.1, respectively	(22.1)	(5.4)	(34.1)	(11.2)
Pension and post-retirement benefits, net of tax of \$0.5, \$0.3, \$1.0 and \$0.6, respectively	0.7	(0.4)	1.4	(0.9)
Pension curtailment, net of tax of (\$0.1) and (\$0.1), respectively		0.2		0.2
Foreign currency translation (loss) gain	(11.2)	0.6	(23.0)	3.8
Comprehensive (loss) income	\$ (2.8)	\$ 51.1	\$ (0.1)	\$ 105.6

See accompanying notes to consolidated financial statements.

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CARPENTER TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in millions)

	Six Months Ended December 31,	
	2008	2007
OPERATING ACTIVITIES:		
Net income	\$ 55.6	\$ 113.7
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	25.3	25.1
Deferred income taxes	(1.6)	1.2
Net pension expense (income)	10.2	(1.2)
Net loss (gain) on disposals of property and equipment	0.7	(1.1)
Changes in working capital and other:		
Accounts receivable	104.4	86.4
Inventories	(123.3)	(88.9)
Other current assets	(10.9)	(3.4)
Accounts payable	(30.6)	(55.2)
Accrued liabilities	(30.8)	1.1
Other, net	(1.1)	2.8
Net cash (used for) provided from operating activities	(2.1)	80.5