

MOOG INC
Form 10-K
November 20, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 29, 2012

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 1-5129

Inc.

(Exact Name of Registrant as Specified in its Charter)

New York

16-0757636

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

East Aurora, New York

14052-0018

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (716) 652-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Class A Common Stock, \$1.00 Par Value

New York Stock Exchange

Class B Common Stock, \$1.00 Par Value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 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 Regulations 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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 Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the common stock outstanding and held by non-affiliates (as defined in Rule 405 under the Securities Act of 1933) of the registrant, based upon the closing sale price of the common stock on the New York Stock Exchange on March 31, 2012, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$1,717 million.

The number of shares of common stock outstanding as of the close of business on November 16, 2012 was: Class A 41,359,594; Class B 3,991,786.

Portions of the 2012 Proxy Statement to Shareholders (“2012 Proxy”) are incorporated by reference into Part III of this Form 10-K.

Inc.
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Disclosure Regarding Forward-Looking Statements

Information included or incorporated by reference in this report that does not consist of historical facts, including statements accompanied by or containing words such as “may,” “will,” “should,” “believes,” “expects,” “expected,” “intends,” “projects,” “approximate,” “estimates,” “predicts,” “potential,” “outlook,” “forecast,” “anticipates,” “presume” and “assume,” forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and are subject to several factors, risks and uncertainties, the impact or occurrence of which could cause actual results to differ materially from the expected results described in the forward-looking statements. Certain of these factors, risks and uncertainties are discussed in the sections of this report entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” New factors, risks and uncertainties may emerge from time to time that may affect the forward-looking statements made herein. Given these factors, risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictive of future results. We disclaim any obligation to update the forward-looking statements made in this report.

PART I

The Registrant, Moog Inc., a New York corporation formed in 1951, is referred to in this report as “Moog” or in the nominative “we” or the possessive “our.”

Unless otherwise noted or the context otherwise requires, all references to years in this report are to fiscal years.

Item 1. Business.

Description of the Business. Moog is a worldwide designer, manufacturer and integrator of high performance precision motion and fluid controls and systems for a broad range of applications in aerospace and defense and industrial markets. We have five operating segments: Aircraft Controls, Space and Defense Controls, Industrial Systems, Components and Medical Devices.

Additional information describing the business and comparative segment revenues, operating profits and related financial information for 2012, 2011 and 2010 are provided in Note 17 of Item 8, Financial Statements and Supplementary Data of this report.

Distribution. Our sales and marketing organization consists of individuals possessing highly specialized technical expertise. This expertise is required in order to effectively evaluate a customer’s precision control requirements and to facilitate communication between the customer and our engineering staff. Our sales staff is the primary contact with customers. Manufacturers’ representatives are used to cover certain domestic aerospace markets. Distributors are used selectively to cover certain industrial and medical markets.

Industry and Competitive Conditions. We experience considerable competition in our aerospace and defense and industrial markets. We believe that the principal points of competition in our markets are product quality, price, design and engineering capabilities, product development, conformity to customer specifications, timeliness of delivery, effectiveness of the distribution organization and quality of support after the sale. We believe we compete effectively on all of these bases. Competitors in our five operating segments include:

Aircraft Controls: Parker Hannifin, UTC (Goodrich, Hamilton Sundstrand), Liebherr, Nabtesco, Woodward Governor and Curtiss-Wright.

Space and Defense Controls: Honeywell, Parker Hannifin, Vacco, Valvetech, Marotta, SABCA, ESW, Aerojet, Snecma, Valcor, Aeroflex, UTC (Hamilton Sundstrand), Limitorque, Sargeant Industries, RVision, Directed Perception, ATA Engineering, CDA InterCorp, RUAG, Rockwell Collins, Woodward Governor, Sierra-Nevada, Vicon, Videotec and Lord Corp.

Industrial Systems: Bosch Rexroth, Danaher, Baumuller, Siemens, SSB, Parker Hannifin, Suzhou ReEnergy, MTS Systems Corp., Exlar and Hydraudyne.

Components: Danaher, Allied Motion, Ametek, Woodward MPC, Axsys, Schleifring, Airflyte, Smiths, Kearfott and Stemmann.

Medical Devices: B. Braun, CareFusion, Smiths Medical, Hospira, Alcon, Baxter International, CME, I-Flow, Covidien, Etalon, Introtek and Ross (Abbott).

Government Contracts. All U.S. Government contracts are subject to termination by the Government. In 2012, sales under U.S. Government contracts represented 30% of total sales and were primarily within Aircraft Controls, Space and Defense Controls and Components.

Backlog. Substantially all backlog will be realized as sales in the next twelve months. See the discussion in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations of this report.

Raw Materials. Materials, supplies and components are purchased from numerous suppliers. We believe the loss of any one supplier, although potentially disruptive in the short-term, would not materially affect our operations in the long-term.

Working Capital. See the discussion on operating cycle in Note 1 of Item 8, Financial Statements and Supplementary Data of this report.

Seasonality. Our business is generally not seasonal; however, certain markets, such as wind energy, do experience seasonal variations in sales levels.

Patents. We maintain a patent portfolio of issued or pending patents and patent applications worldwide that generally includes the U.S., Europe, China, Japan and India. The portfolio includes patents that relate to electrohydraulic, electromechanical, electronics, hydraulics, components and methods of operation and manufacture as related to motion control and actuation systems. The portfolio also includes patents related to wind turbines, robotics, surveillance/security, vibration control and medical devices. We do not consider any one or more of these patents or patent applications to be material in relation to our business as a whole. The patent portfolio related to certain medical devices is significant to our position in this market as several of these products work exclusively together, and provide us future revenue opportunities.

Research Activities. Research and development activity has been, and continues to be, significant for us. Research and development expense was at least \$100 million in each of the last three years.

Employees. On September 29, 2012, we employed 10,976 full-time employees.

Customers. Our principal customers are Original Equipment Manufacturers, or OEMs, and end users for whom we provide aftermarket support. Aerospace and defense OEM customers collectively represented approximately 44% of 2012 sales. The majority of these sales are to a small number of large companies. Due to the long-term nature of many of the programs, many of our relationships with aerospace and defense OEM customers are based on long-term agreements. Our industrial OEM sales, which represented approximately 38% of 2012 sales, are to a wide range of global customers and are normally based on lead times of 90 days or less. We also provide aftermarket support, consisting of spare and replacement parts and repair and overhaul services, for all of our products. Our major aftermarket customers are the U.S. Government and commercial airlines. In 2012, aftermarket sales accounted for 18% of total sales.

Customers in our five operating segments include:

• **Aircraft Controls:** Boeing, Lockheed Martin, Airbus, BAE, Bombardier, Gulfstream, Honeywell, Northrop Grumman and the U.S. Government.

• **Space and Defense Controls:** Lockheed Martin, Raytheon, Orbital Sciences, BAE, United Technologies-Pratt & Whitney Rocketdyne, Alliant Techsystems, General Dynamics and Thales Alenia.

• **Industrial Systems:** RePower AG, United Power (GUP), FlightSafety, CAE, Arburg, Metso and Schlumberger.

• **Components:** Respiroics, Raytheon, Lockheed Martin, Philips Medical and the U.S. Government.

• **Medical Devices:** Danone and Abbott.

International Operations. Our operations outside the United States are conducted through wholly-owned foreign subsidiaries and are located predominantly in Europe and the Asia-Pacific region. See Note 17 of Item 8, Financial Statements and Supplementary Data of this report for information regarding sales by geographic area and Exhibit 21 of Item 15, Exhibits and Financial Statement Schedules of this report for a list of subsidiaries. Our international operations are subject to the usual risks inherent in international trade, including currency fluctuations, local government contracting regulations, local governmental restrictions on foreign investment and repatriation of profits, exchange controls, regulation of the import and distribution of foreign goods, as well as changing economic and social conditions in countries in which our operations are conducted.

Environmental Matters. See the discussion in Note 18 of Item 8, Financial Statements and Supplementary Data of this report.

Website Access to Information. Our internet address is www.moog.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports, available on the investor information portion of our website. The reports are free of charge and are available as soon as reasonably practicable after they are filed with the Securities and Exchange Commission. We have posted our Corporate Governance guidelines, Board committee charters and code of ethics to the investor information portion of our website. This information is available in print to any shareholder upon request. All requests for these documents should be made to Moog's Manager of Investor Relations by calling 716-687-4225.

Executive Officers of the Registrant. Other than John B. Drenning, the principal occupations of our officers for the past five years have been their employment with us. John B. Drenning's principal occupation is partner in the law firm of Hodgson Russ LLP.

On September 1, 2012, Patrick J. Roche was named Vice President. Previously, he was a Group Vice President and General Manager of the Moog Ireland operation.

On December 1, 2011, John R. Scannell was named Chief Executive Officer. Previously, he was President and Chief Operating Officer. Prior to that, he was Vice President and Chief Financial Officer.

On December 1, 2011, Robert T. Brady was named Executive Chairman. Previously, he was Chief Executive Officer.

On December 1, 2011, Gary Szakmary was named Vice President. Previously, he was a Corporate Group Vice President.

On December 2, 2010, Donald R. Fishback was named Vice President and Chief Financial Officer. Previously, he was Vice President of Finance. Prior to that, he was Controller and Principal Accounting Officer.

On December 2, 2010, Sean Gartland was named Vice President. Previously, he was General Manager of the International Group, Pacific operation.

On February 11, 2008, Jennifer Walter was named Controller and Principal Accounting Officer. Previously, she was Director of Financial Planning and Analysis.

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Executive Officers	Age	Year First Elected Officer
John R. Scannell Chief Executive Officer	49	2006
Robert T. Brady Executive Chairman of the Board Director; Member, Executive Committee	71	1967
Joe C. Green Executive Vice President; Chief Administrative Officer; Director; Member, Executive Committee	71	1973
Richard A. Aubrecht Vice Chairman of the Board; Vice President - Strategy and Technology; Director; Member, Executive Committee	68	1980
Donald R. Fishback Vice President; Chief Financial Officer	56	1985
Martin J. Berardi Vice President	56	2000
Warren C. Johnson Vice President	53	2000
Jay K. Hennig Vice President	52	2002
Lawrence J. Ball Vice President	58	2004
Harald E. Seiffer Vice President	53	2005
Sasidhar Eranki Vice President	58	2006
Sean Gartland Vice President	49	2010
Gary A. Szakmary Vice President	61	2011
Patrick J. Roche Vice President	49	2012
Jennifer Walter Controller; Principal Accounting Officer	41	2008
Timothy P. Balkin Treasurer; Assistant Secretary	53	2000
John B. Drenning Secretary	75	1989

Item 1A. Risk Factors.

The markets we serve are cyclical and sensitive to domestic and foreign economic conditions and events, which may cause our operating results to fluctuate. The markets we serve are sensitive to fluctuations in general business cycles as well as domestic and foreign economic conditions and events. For example, our defense programs are largely contingent on U.S. Department of Defense funding. Our space programs rely on the same governmental funding as well as commercial investment into exploration activities. Demand for our industrial systems products is dependent upon several factors, including capital investment, product innovations, economic growth, cost-reduction efforts and technology upgrades. In addition, the commercial airline industry is cyclical and sensitive to fuel price increases, labor disputes and economic conditions. These factors could result in a reduction in the amount of air travel, which could reduce service and maintenance orders for flight controls and spare parts, thereby reducing our commercial market sales. Changes in medical reimbursement rates of insurers to medical service providers could impact our sale of medical products.

We operate in highly competitive markets with competitors who may have greater resources than we possess. Many of our products are sold in highly competitive markets. Some of our competitors, especially in our industri