

BARNES GROUP INC
Form 10-Q
August 02, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

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 1-4801

BARNES GROUP INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	06-0247840 (I.R.S. Employer Identification No.)
123 Main Street, Bristol, Connecticut (Address of Principal Executive Offices)	06010 (Zip Code)
(860) 583-7070	

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 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 (§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 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had outstanding 54,914,441 shares of common stock as of July 29, 2010.

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Barnes Group Inc.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****BARNES GROUP INC.****CONSOLIDATED STATEMENTS OF INCOME****(Dollars in thousands, except per share data)****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 281,892	\$ 255,201	\$ 560,029	\$ 517,352
Cost of sales	177,821	165,712	355,844	332,878
Selling and administrative expenses	80,389	75,343	160,836	149,871
	258,210	241,055	516,680	482,749
Operating income	23,682	14,146	43,349	34,603
Other income	18	2,501	235	2,659
Interest expense	4,978	6,004	10,097	11,941
Other expenses	1,083	686	1,622	1,263
Income before income taxes	17,639	9,957	31,865	24,058
Income taxes (benefit)	2,815	(490)	5,213	2,152
Net income	\$ 14,824	\$ 10,447	\$ 26,652	\$ 21,906
Per common share:				
Net income:				
Basic	\$.27	\$.20	\$.48	\$.41
Diluted	.26	.19	.47	.41
Dividends	.08	.16	.16	.32
Weighted average common shares outstanding:				
Basic	55,546,969	53,377,592	55,470,721	53,058,524
Diluted	56,339,770	53,642,123	56,152,953	53,277,490

See accompanying notes.

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BARNES GROUP INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 14,345	\$ 17,427
Accounts receivable, less allowances (2010 \$4,569; 2009 \$5,915)	176,543	160,269
Inventories	196,931	190,792
Deferred income taxes	8,173	23,630
Prepaid expenses and other current assets	11,478	10,562
Total current assets	407,470	402,680
Deferred income taxes	45,922	30,650
Property, plant and equipment	622,453	645,318
Less accumulated depreciation	(409,449)	(420,355)
	213,004	224,963
Goodwill	358,930	373,564
Other intangible assets, net	295,585	303,689
Other assets	19,061	16,444
Total assets	\$ 1,339,972	\$ 1,351,990
Liabilities and Stockholders' Equity		
Current liabilities		
Notes and overdrafts payable	\$ 1,855	\$ 4,595
Accounts payable	96,223	85,588
Accrued liabilities	75,540	73,538
Long-term debt - current	119,166	25,567
Total current liabilities	292,784	189,288
Long-term debt	224,038	321,306
Accrued retirement benefits	110,733	118,693
Other liabilities	34,107	37,990
Commitments and contingencies (Note 13)		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Authorized: 150,000,000 shares		
Issued: at par value (2010 56,286,140 shares; 2009 55,974,051 shares)	563	560
Additional paid-in capital	277,207	270,784
Treasury stock, at cost (2010 1,381,659 shares; 2009 1,181,579 shares)	(19,986)	(15,839)

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Retained earnings	496,464	478,704
Accumulated other non-owner changes to equity	(75,938)	(49,496)
Total stockholders' equity	678,310	684,713
Total liabilities and stockholders' equity	\$ 1,339,972	\$ 1,351,990

See accompanying notes.

Table of Contents**BARNES GROUP INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

(Unaudited)

	Six months ended June 30,	
	2010	2009
Operating activities:		
Net income	\$ 26,652	\$ 21,906
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	26,082	25,783
Amortization of convertible debt discount	2,805	3,284
(Gain) loss on disposition of property, plant and equipment	422	(170)
Gain on repurchase of convertible notes		(2,288)
Stock compensation expense	3,546	1,927
Withholding taxes paid on stock issuances	(89)	(167)
Changes in assets and liabilities:		
Accounts receivable	(21,868)	(17,191)
Inventories	(8,674)	36,171
Prepaid expenses and other current assets	(2,680)	1,978
Accounts payable	12,353	(2,677)
Accrued liabilities	5,351	(3,952)
Deferred income taxes	(1,396)	(270)
Long-term retirement benefits	(7,389)	(14,868)
Other	(2,284)	(1,573)
Net cash provided by operating activities	32,831	47,893
Investing activities:		
Proceeds from disposition of property, plant and equipment	157	343
Capital expenditures	(15,060)	(19,627)
Other	(1,726)	(1,216)
Net cash used by investing activities	(16,629)	(20,500)
Financing activities:		
Net change in other borrowings	(2,565)	(5,221)
Payments on long-term debt	(137,493)	(83,876)
Proceeds from the issuance of long-term debt	131,400	73,000
Proceeds from the issuance of common stock	3,522	905
Common stock repurchases	(4,059)	(314)
Dividends paid	(8,787)	(16,863)
Other	(108)	(432)
Net cash used by financing activities	(18,090)	(32,801)
Effect of exchange rate changes on cash flows	(1,194)	572
Decrease in cash and cash equivalents	(3,082)	(4,836)
Cash and cash equivalents at beginning of period	17,427	20,958

Cash and cash equivalents at end of period	\$ 14,345	\$ 16,122
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Supplemental disclosure of cash flow information:

Non-cash financing activities in 2009 include a stock contribution to the Company's pension plans of 737,463 treasury shares (approximately \$9.8 million).

See accompanying notes.

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BARNES GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts included in the notes are stated in thousands except per share data.)

(Unaudited)

1. Summary of Significant Accounting Policies

The accompanying unaudited consolidated balance sheet and the related unaudited consolidated statements of income and cash flows have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The consolidated financial statements do not include all information and notes required by generally accepted accounting principles for complete financial statements. The balance sheet as of December 31, 2009 has been derived from the 2009 financial statements of Barnes Group Inc. (the "Company"). For additional information, please refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. In the opinion of management, all adjustments, including normal recurring accruals considered necessary for a fair presentation, have been included. Operating results for the three- and six-month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. Net Income Per Common Share

For the purpose of computing diluted net income per share, the weighted-average number of shares outstanding is increased for the potential dilutive effects of stock-based incentive plans and convertible senior subordinated notes. For the purpose of computing diluted net income per share, the weighted average number of shares outstanding was increased by 792,801 and 264,531 for the three-month periods ended June 30, 2010 and 2009, respectively and 682,232 and 218,966 for the six-month periods ended June 30, 2010 and 2009, respectively, to account for the potential dilutive effects of stock-based incentive plans. There were no adjustments to net income for the purposes of computing income available to common stockholders for those periods.

The calculation of weighted-average diluted shares outstanding excludes all shares that would be anti-dilutive. During the three-month periods ended June 30, 2010 and 2009, the Company excluded 1,561,000 and 4,282,937 options, respectively, from the calculation of weighted average diluted shares outstanding as the stock options would have been anti-dilutive. During the six-month periods ended June 30, 2010 and 2009, the Company excluded 1,783,628 and 4,578,563 options, respectively, from the calculation of weighted average diluted shares outstanding as the stock options would have been anti-dilutive.

The Company granted 519,200 stock options, 260,417 restricted stock unit awards, and 101,100 performance unit plan awards in February 2010 as part of its annual grant awards. Of the 260,417 restricted stock unit awards, 1,600 vest upon satisfying established performance goals and 258,817 vest upon meeting certain service conditions. All of the restricted stock unit awards that vest upon meeting certain service conditions are included in basic average common shares outstanding as they contain nonforfeitable rights to dividend payments. The performance unit plan awards are denominated in units with each unit being equivalent in value to one share of the Company's common stock and are payable in cash. The performance unit plan awards vest upon satisfying established performance goals and are not included in either basic or diluted average common shares outstanding as these awards are settled in cash.

The 3.75% convertible senior subordinated notes due in August 2025 (the "3.75% Convertible Notes") are convertible, under certain circumstances, into a combination of cash and common stock of the Company. The conversion price as of June 30, 2010 was approximately \$20.62 per share of common stock. The dilutive effect of the notes is determined based on the average closing price of the Company's stock for the last 30 trading days of the quarter as compared to the conversion price of the notes. Under th