

FULLER H B CO
Form 10-Q
June 24, 2011

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 May 28, 2011

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: 001-09225

H.B. FULLER COMPANY

(Exact name of registrant as specified in its charter)

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Minnesota (State or other jurisdiction of incorporation or organization)	41-0268370 (I.R.S. Employer Identification No.)
1200 Willow Lake Boulevard, St. Paul, Minnesota (Address of principal executive offices)	55110-5101 (Zip Code)
(651) 236-5900 (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 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"/> (Do not check if a smaller reporting company)	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 number of shares outstanding of the Registrant's Common Stock, par value \$1.00 per share, was 49,354,978 as of June 15, 2011.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****H.B. FULLER COMPANY AND SUBSIDIARIES****Consolidated Statements of Income**

(In thousands, except per share amounts)

(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
	May 28, 2011	May 29, 2010	May 28, 2011	May 29, 2010
Net revenue	\$ 393,722	\$ 347,908	\$ 733,270	\$ 657,350
Cost of sales	(281,130)	(246,800)	(523,774)	(458,563)
Gross profit	112,592	101,108	209,496	198,787
Selling, general and administrative expenses	(77,608)	(75,292)	(153,261)	(146,740)
Asset impairment charges		(8,785)	(332)	(8,785)
Other income (expense), net	(51)	1,340	243	1,277
Interest expense	(2,572)	(3,043)	(5,153)	(4,991)
Income before income taxes and income from equity method investments	32,361	15,328	50,993	39,548
Income taxes	(9,984)	(6,022)	(16,269)	(13,081)
Income from equity method investments	2,476	1,717	4,336	3,532
Net income including non-controlling interests	24,853	11,023	39,060	29,999
Net (income) loss attributable to non-controlling interests	273	(12)	417	(36)
Net income attributable to H.B. Fuller	\$ 25,126	\$ 11,011	\$ 39,477	\$ 29,963
Earnings per share attributable to H.B. Fuller common stockholders:				
Basic	\$ 0.51	\$ 0.23	\$ 0.81	\$ 0.62
Diluted	\$ 0.50	\$ 0.22	\$ 0.79	\$ 0.60
Weighted-average common shares outstanding:				
Basic	49,021	48,572	49,013	48,531
Diluted	49,850	49,613	49,863	49,554
Dividends declared per common share	\$ 0.075	\$ 0.070	\$ 0.1450	\$ 0.1380

See accompanying notes to consolidated financial statements.

H.B. FULLER COMPANY AND SUBSIDIARIES**Consolidated Balance Sheets**

(In thousands, except share and per share amounts)

(Unaudited)

	May 28, 2011	November 27, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 137,609	\$ 133,277
Trade receivables (net of allowances - \$5,066 and \$5,895, for May 28, 2011 and November 27, 2010, respectively)	245,182	221,020
Inventories	151,849	121,621
Other current assets	54,220	57,699
Total current assets	588,860	533,617
Property, plant and equipment	838,267	806,804
Accumulated depreciation	(581,673)	(555,729)
Property, plant and equipment, net	256,594	251,075
Goodwill	120,488	108,970
Other intangibles, net	129,939	131,517
Other assets	153,978	128,278
Total assets	\$ 1,249,859	\$ 1,153,457
Liabilities and total equity		
Current liabilities:		
Notes payable	\$ 27,814	\$ 27,243
Current maturities of long-term debt	22,500	22,500
Trade payables	133,869	102,107
Accrued compensation	37,125	45,645
Income taxes payable	5,151	4,931
Other accrued expenses	25,735	28,907
Total current liabilities	252,194	231,333
Long-term debt, excluding current maturities	189,521	200,978
Accrued pension liabilities	39,070	42,788
Other liabilities	44,931	43,968
Total liabilities	525,716	519,067
Commitments and contingencies		
Equity:		
H.B. Fuller stockholders' equity:		
Preferred stock (no shares outstanding) Shares authorized	10,045,900	

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Common stock, par value \$1.00 per share, Shares authorized 160,000,000, Shares outstanding 49,348,077 and 49,194,251, for May 28, 2011 and November 27, 2010, respectively	49,348	49,194
Additional paid-in capital	25,316	22,701
Retained earnings	678,848	646,596
Accumulated other comprehensive income (loss)	(31,421)	(86,557)
 Total H.B. Fuller stockholders' equity	 722,091	 631,934
Non-controlling interests	2,052	2,456
 Total equity	 724,143	 634,390
 Total liabilities and total equity	 \$ 1,249,859	 \$ 1,153,457

See accompanying notes to consolidated financial statements.

H.B. FULLER COMPANY AND SUBSIDIARIES**Consolidated Statements of Total Equity**

(In thousands)

(Unaudited)

	H.B. Fuller Company Shareholders					Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interests	
Balance at November 28, 2009	\$ 48,658	\$ 12,309	\$ 589,451	\$ (59,064)	\$ 2,888	\$ 594,242
Net income including non-controlling interests			70,877		(458)	70,419
Foreign currency translation				(28,666)	26	(28,640)
Medicare Part D Subsidy tax adjustment				(1,484)		(1,484)
Defined benefit pension plans adjustment, net of tax of \$(1,523)				2,626		2,626
Interest rate swap, net of tax				31		31
Comprehensive income						42,952
Dividends			(13,732)			(13,732)
Stock option exercises	358	3,592				3,950
Share-based compensation plans other, net	196	6,650				6,846
Tax benefit on share-based compensation plans		509				509
Repurchases of common stock	(18)	(359)				(377)
Balance at November 27, 2010	49,194	22,701	646,596	(86,557)	2,456	634,390
Net income including non-controlling interests			39,477		(417)	39,060
Foreign currency translation				31,952	13	31,965
Defined benefit pension plans adjustment, net of tax of \$14,225				23,164		23,164
Interest rate swaps, net of tax				20		20
Comprehensive income						94,209
Dividends			(7,225)			(7,225)
Stock option exercises	337	4,906				5,243
Share-based compensation plans other, net						