

MOOG INC
Form 10-Q
February 07, 2012
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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, 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: 1-5129

MOOG INC.

(Exact name of registrant as specified in its charter)

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New York State (State or other jurisdiction of incorporation or organization)	16-0757636 (I.R.S. Employer Identification No.)
East Aurora, New York (Address of principal executive offices)	14052-0018 (Zip Code)

Telephone number including area code: (716) 652-2000

Former name, former address and former fiscal year, if changed since last report.

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.

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 Exchange Act). Yes No

The number of shares outstanding of each class of common stock as of February 2, 2012 was:

Class A common stock, \$1.00 par value 41,211,640 shares

Class B common stock, \$1.00 par value 4,007,868 shares

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MOOG Inc.

QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****Moog Inc.****Consolidated Condensed Balance Sheets****(Unaudited)**

(dollars in thousands)	December 31, 2011	October 1, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 111,712	\$ 113,679
Receivables	676,801	655,805
Inventories	516,653	502,373
Other current assets	110,710	108,589
TOTAL CURRENT ASSETS	1,415,876	1,380,446
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$522,765 and \$513,151, respectively	511,793	503,872
GOODWILL	738,538	735,021
INTANGIBLE ASSETS, net	193,298	197,545
OTHER ASSETS	30,465	26,083
TOTAL ASSETS	\$ 2,889,970	\$ 2,842,967
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	\$ 8,446	\$ 9,283
Current installments of long-term debt	1,206	1,407
Accounts payable	157,076	165,893
Customer advances	115,537	97,331
Contract loss reserves	41,821	45,173
Other accrued liabilities	222,641	227,303
TOTAL CURRENT LIABILITIES	546,727	546,390
LONG-TERM DEBT, excluding current installments		
Senior debt	347,553	336,161
Senior subordinated notes	378,592	378,596
LONG-TERM PENSION AND RETIREMENT OBLIGATIONS	331,919	331,050
DEFERRED INCOME TAXES	56,584	56,729
OTHER LONG-TERM LIABILITIES	2,170	2,150
TOTAL LIABILITIES	1,663,545	1,651,076
SHAREHOLDERS' EQUITY		
Common stock	51,280	51,280
Other shareholders' equity	1,175,145	1,140,611

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TOTAL SHAREHOLDERS EQUITY	1,226,425	1,191,891
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 2,889,970	\$ 2,842,967

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**Moog Inc.****Consolidated Condensed Statements of Earnings****(Unaudited)**

(dollars in thousands, except per share data)	Three Months Ended	
	December 31, 2011	January 1, 2011
NET SALES	\$ 600,618	\$ 554,434
COST OF SALES	415,483	389,881
GROSS PROFIT	185,135	164,553
Research and development	29,190	23,475
Selling, general and administrative	95,798	85,841
Interest	8,546	9,211
Other	(1,348)	246
EARNINGS BEFORE INCOME TAXES	52,949	45,780
INCOME TAXES	16,576	12,373
NET EARNINGS	\$ 36,373	\$ 33,407
NET EARNINGS PER SHARE		
Basic	\$ 0.80	\$ 0.74
Diluted	\$ 0.80	\$ 0.73
AVERAGE COMMON SHARES OUTSTANDING		
Basic	45,211,734	45,388,891
Diluted	45,679,965	45,906,552

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**Moog Inc.****Consolidated Condensed Statements of Cash Flows****(Unaudited)**

(dollars in thousands)	Three Months Ended	
	December 31, 2011	January 1, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 36,373	\$ 33,407
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	16,058	16,151
Amortization	8,300	7,545
Provisions for non-cash losses on contracts, inventories and receivables	12,184	16,316
Equity-based compensation expense	4,105	3,433
Other	1,628	165
Changes in assets and liabilities providing cash, excluding the effects of acquisitions:		
Receivables	(21,411)	5,096
Inventories	(16,501)	(13,842)
Accounts payable	(10,129)	(8,710)
Customer advances	18,277	14,939
Accrued expenses	(29,478)	(21,001)
Accrued income taxes	11,773	7,354
Pension assets and liabilities	7,874	326
Other assets and liabilities	(4,077)	(2,898)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,976	58,281
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of acquired cash	(13,174)	(3,073)
Purchase of property, plant and equipment	(27,218)	(18,126)
Other investing transactions	(5,074)	
NET CASH USED BY INVESTING ACTIVITIES	(45,466)	(21,199)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayments of) notes payable	(857)	3,093
Net proceeds from (repayments of) revolving lines of credit	11,738	(45,948)
Payments on long-term debt	(272)	(1,039)
Excess tax benefits from equity-based payment arrangements	136	34
Other financing transactions	(530)	(432)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	10,215	(44,292)
Effect of exchange rate changes on cash	(1,692)	(489)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,967)	(7,699)
Cash and cash equivalents at beginning of period	113,679	112,421

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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 111,712	\$ 104,722
CASH PAID FOR:		
Interest	\$ 8,894	\$ 9,365
Income taxes, net of refunds	6,503	5,050

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**MOOG Inc.****Notes to Consolidated Condensed Financial Statements****Three Months Ended December 31, 2011****(Unaudited)****(dollars in thousands, except per share data)****Note 1 - Basis of Presentation**

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the three months ended December 31, 2011 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended October 1, 2011. All references to years in these financial statements are to fiscal years, unless otherwise noted.

Note 2 - Acquisitions

During the three months ended December 31, 2011, we completed one business combination in our Space and Defense segment by acquiring Bradford Engineering, based in The Netherlands, for \$13,174 in cash. Bradford is a developer and manufacturer of satellite equipment including attitude control, propulsion and thermal control subsystems. Bradford had approximately \$9,600 of sales for the 2010 calendar year. The purchase price allocation for Bradford is based on preliminary estimates of fair value of assets acquired and liabilities assumed and is subject to subsequent adjustment as we obtain additional information for our estimates during the measurement period.

In 2011, we completed three business combinations within two of our segments. We completed two business combinations within our Aircraft Controls segment, both of which are located in the U.S. We acquired Crossbow Technology Inc., based in California, for \$31,999, net of cash acquired. Crossbow designs and manufactures acceleration sensors that are integrated into inertial navigation and guidance systems used in a variety of aerospace, defense and transportation applications. We also acquired a business that complements our military aftermarket business for \$2,373 in cash. Combined sales of these acquisitions for the 2010 calendar year were approximately \$19,000. We completed one business combination within our Components segment by acquiring Animatics Corporation, based in California. The purchase price was \$24,091, which included 467,749 shares of Moog Class A common stock valued at \$18,785 on the day of closing. Animatics supplies integrated servos, linear actuators and control electronics that are used in a variety of industrial, medical and defense applications and had approximately \$15,000 of sales for the twelve months preceding the acquisition. The purchase price allocations are completed with the exception of income taxes for the Components acquisition.

Note 3 Inventories

	December 31, 2011	October 1, 2011
Raw materials and purchased parts	\$ 194,662	\$ 197,347
Work in progress	249,038	235,428
Finished goods	72,953	69,598
Total	\$ 516,653	\$ 502,373

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Note 4 - Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	Balance as of October 1, 2011	Current Year Acquisitions	Foreign Currency Translation	Balance as of December 31, 2011
Aircraft Controls				