

KENNAMETAL INC
Form 8-K
April 26, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): April 26, 2012

Kennametal Inc.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania
(State or Other Jurisdiction

of Incorporation)

1-5318
(Commission

File Number)

25-0900168
(IRS Employer

Identification No.)

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World Headquarters

1600 Technology Way

P.O. Box 231

Latrobe, Pennsylvania

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (724) 539-5000

15650-0231

(Zip Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition

On April 26, 2012, Kennametal Inc. (Kennametal or the Company) issued an earnings announcement for its fiscal third quarter ended March 31, 2012.

The press release contains certain non-generally accepted accounting principles (GAAP) financial measures. The following GAAP financial measures have been presented on an adjusted basis: sales, operating income and margin, Industrial operating income and margin and Infrastructure sales, operating income and margin. Adjustments include the impact of the acquisition for the three months ended March 31, 2012 and restructuring and related charges for the three months ended March 31, 2011. Management adjusts for these items in measuring and compensating internal performance and to more readily compare the Company's financial performance period-to-period. The press release also contains free operating cash flow and adjusted return on invested capital (ROIC), which are both non-GAAP measures and are defined below.

Management believes that presentation of these non-GAAP financial measures provides useful information about the results of operations of the Company for the current and past periods. Management believes that investors should have available the same information that management uses to assess operating performance, determine compensation and assess the capital structure of the Company. These non-GAAP measures should not be considered in isolation or as a substitute for the most comparable GAAP measures. Investors are cautioned that non-GAAP financial measures utilized by the Company may not be comparable to non-GAAP financial measures used by other companies.

Free Operating Cash Flow

Free operating cash flow is a non-GAAP financial measure and is defined by the Company as cash provided by operations (which is the most directly comparable GAAP measure) less capital expenditures plus proceeds from disposals of fixed assets. Management considers free operating cash flow to be an important indicator of Kennametal's cash generating capability because it better represents cash generated from operations that can be used for dividends, debt repayment, strategic initiatives (such as acquisitions), and other investing and financing activities.

Adjusted Return on Invested Capital

Adjusted Return on Invested Capital is a non-GAAP financial measure and is defined by the Company as the previous 12 months' net income, adjusted for interest expense, noncontrolling interest expense and special items, divided by the sum of the previous five quarters average balances of debt and total equity. The most directly comparable GAAP measure is return on invested capital calculated utilizing GAAP net income. Management believes that this financial measure provides additional insight into the underlying capital structure and performance of the Company. Management utilizes this non-GAAP measure in determining compensation and assessing the operations of the Company.

A copy of the Company's earnings announcement is furnished under Exhibit 99.1 attached hereto. Reconciliations of the above non-GAAP financial measures are included in the earnings announcement.

Additionally, during our quarterly earnings teleconference we may use various non-GAAP financial measures to describe the underlying operating results. Accordingly, we have compiled below certain reconciliations as required by Regulation G. These non-GAAP measures should not be considered in isolation or as a substitute for the most comparable GAAP measures. Investors are cautioned that non-GAAP financial measures utilized by the Company may not be comparable to non-GAAP financial measures used by other companies.

THREE MONTHS ENDED MARCH 31, 2012 (UNAUDITED)

| (in thousands, except percents) | Sales | Operating Income | Operating Margin |
|---------------------------------|------------|---------------------|---------------------|
| 2012 Reported Results | \$ 696,411 | \$ 103,292 | 14.8% |
| Acquisition impact | 22,558 | 4,608 | |

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| | | | |
|-----------------------|------------|------------|-------|
| 2012 Adjusted Results | \$ 673,853 | \$ 107,900 | 16.0% |
|-----------------------|------------|------------|-------|

Debt to Capital

Debt to Capital is a non-GAAP financial measure and is defined by Kennametal as total debt divided by the sum of total equity plus total debt. The most directly comparable GAAP measure is debt to equity, which is defined as total debt divided by total equity. Management believes that Debt to Capital provides additional insight into the underlying capital structure and performance of the Company.

DEBT TO CAPITAL (UNAUDITED)

| (in thousands, except percents) | March 31, 2012 | June 30, 2011 |
|---------------------------------|-------------------|------------------|
| Total debt | \$ 640,871 | \$ 312,882 |
| Total equity | 1,745,699 | 1,658,641 |
| Debt to equity, GAAP | 36.7% | 18.9% |
| Total debt | \$ 640,871 | \$ 312,882 |
| Total equity | 1,745,699 | 1,658,641 |
| Total capital | \$ 2,386,570 | \$ 1,971,523 |
| Debt to capital | 26.9% | 15.9% |

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Fiscal 2012 Third Quarter Earnings Announcement

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KENNAMETAL INC.

Date: April 26, 2012

By: /s/ Martha A. Bailey
Martha A. Bailey

Vice President Finance and Corporate Controller