

Spectrum Brands, Inc.
Form 10-Q
August 12, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 3, 2005

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 001-13615

Spectrum Brands, Inc.

(Exact name of registrant as specified in its charter)

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Wisconsin (State or other jurisdiction of incorporation or organization)	22-2423556 (I.R.S. Employer Identification Number)
Six Concourse Parkway, Suite 3300, Atlanta, Georgia (Address of principal executive offices)	30328 (Zip Code)

(770) 829-6200

(Registrant's telephone number, including area code)

(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of August 5, 2005, was 50,805,469.

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SPECTRUM BRANDS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED JULY 3, 2005

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SPECTRUM BRANDS, INC.****Condensed Consolidated Balance Sheets****July 3, 2005 and September 30, 2004****(Unaudited)****(Amounts in thousands, except per share figures)**

	<u>July 3, 2005</u>	<u>September 30, 2004</u>
-ASSETS-		
Current assets:		
Cash and cash equivalents	\$ 27,007	\$ 15,789
Receivables, less allowances of \$44,210 and \$23,071, respectively	462,565	289,632
Inventories	470,315	264,726
Prepaid expenses and other	99,555	80,365
	<u>1,059,442</u>	<u>650,512</u>
Property, plant and equipment, net	310,701	182,396
Goodwill	1,432,636	320,577
Intangible assets, net	1,169,683	422,106
Deferred charges and other	43,525	35,079
Debt issuance costs, net	40,149	25,299
	<u>4,056,136</u>	<u>1,635,969</u>
Total assets	\$ 4,056,136	\$ 1,635,969
-LIABILITIES AND SHAREHOLDERS EQUITY-		
Current liabilities:		
Current maturities of long-term debt	\$ 38,830	\$ 23,895
Accounts payable	280,170	228,052
Accrued liabilities	261,242	146,711
	<u>580,242</u>	<u>398,658</u>
Total current liabilities	580,242	398,658
Long-term debt, net of current maturities	2,297,915	806,002
Employee benefit obligations, net of current portion	73,796	69,246
Other	259,163	44,640
	<u>3,211,116</u>	<u>1,318,546</u>
Total liabilities	3,211,116	1,318,546
Minority interest in equity of consolidated affiliates		1,379

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Shareholders' equity:		
Common stock, \$.01 par value, authorized 150,000 shares; issued 66,579 and 64,219 shares, respectively; outstanding 50,751 and 34,683 shares, respectively	666	642
Additional paid-in capital	670,523	224,962
Retained earnings	270,192	220,483
Accumulated other comprehensive income, net	13,341	10,621
Notes receivable from officers/shareholders	(955)	(3,605)
	<u>953,767</u>	<u>453,103</u>
Less treasury stock, at cost, 15,828 and 29,536 shares, respectively	(70,813)	(130,070)
Less unearned restricted stock compensation	(37,934)	(6,989)
	<u>845,020</u>	<u>316,044</u>
Total shareholders' equity	845,020	316,044
	<u>\$ 4,056,136</u>	<u>\$ 1,635,969</u>
Total liabilities and shareholders' equity	\$ 4,056,136	\$ 1,635,969

See accompanying notes which are an integral part of these condensed consolidated financial statements (unaudited).

Table of Contents**SPECTRUM BRANDS, INC.****Condensed Consolidated Statements of Operations****For the three and nine month periods ended July 3, 2005 and June 27, 2004****(Unaudited)****(Amounts in thousands, except per share figures)**

	THREE MONTHS		NINE MONTHS	
	2005	2004	2005	2004
Net sales	\$ 730,445	\$ 308,264	\$ 1,755,725	\$ 1,040,297
Cost of goods sold	446,003	173,555	1,083,424	590,855
Restructuring and related charges	7,807		7,807	(1,137)
Gross profit	276,635	134,709	664,494	450,579
Selling	143,662	60,996	349,608	219,837
General and administrative	44,217	28,281	115,810	97,923
Research and development	7,993	6,207	21,214	15,347
Restructuring and related charges	7,365	1,685	7,521	7,717
Total operating expenses	203,237	97,169	494,153	340,824
Operating income	73,398	37,540	170,341	109,755
Interest expense	38,623	15,617	94,544	49,041
Other (income) expense, net	(1,107)	1,340	(1,274)	(392)
Income from continuing operations before income taxes	35,882	20,583	77,071	61,106
Income tax expense	12,171	7,826	27,362	23,225
Income from continuing operations	23,711	12,757	49,709	37,881
(Income) loss from discontinued operations, net of tax benefits of \$14 and \$539, respectively		(57)		267
Net income	\$ 23,711	\$ 12,814	\$ 49,709	\$ 37,614
Basic earnings per share:				
Weighted average shares of common stock outstanding	48,916	33,648	42,024	32,977
Income from continuing operations	\$ 0.48	\$ 0.38	\$ 1.18	\$ 1.15
Loss from discontinued operations				(0.01)
Net income	\$ 0.48	\$ 0.38	\$ 1.18	\$ 1.14
Diluted earnings per share:				

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Weighted average shares and equivalents outstanding	51,086	35,388	43,919	34,413
Income from continuing operations	\$ 0.46	\$ 0.36	\$ 1.13	\$ 1.10
Loss from discontinued operations				(0.01)
Net income	\$ 0.46	\$ 0.36	\$ 1.13	\$ 1.09

See accompanying notes which are an integral part of these condensed consolidated financial statements (unaudited).

Table of Contents**SPECTRUM BRANDS, INC.****Condensed Consolidated Statements of Cash Flows****For the nine month periods ended July 3, 2005 and June 27, 2004****(Unaudited)****(Amounts in thousands)**

	NINE MONTHS	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 49,709	\$ 37,614
Non-cash adjustments to net income:		
Discontinued operations		267
Depreciation	34,168	24,259
Amortization	8,206	742
Amortization of debt issuance costs	4,188	3,133
Loss on debt extinguishment	12,033	
Inventory valuation purchase accounting charges	34,961	
Stock option income tax benefit	10,234	8,150
Non-cash restructuring and related charges	11,132	(1,137)
Other non-cash adjustments	535	(8,313)
Net changes in operating assets and liabilities, net of acquisitions and discontinued operations	(25,536)	16,300
Net cash provided by continuing operating activities	139,630	81,015
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(41,108)	(16,444)
Payment for acquisitions, net of cash acquired of \$27,452 and \$5,653, respectively	(1,598,703)	(41,980)
Net cash used by investing activities	(1,639,811)	(58,424)
Cash flows from financing activities:		