

DONALDSON CO INC
Form 10-Q
March 06, 2019

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 JANUARY 31, 2019 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 1-7891

DONALDSON COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware 41-0222640

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1400 West 94th Street

Minneapolis, Minnesota 55431

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (952) 887-3131

Not Applicable

(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: common stock, \$5 par value - 127,654,400 shares as of February 28, 2019.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DONALDSON COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2019	2018	2019	2018
Net sales	\$703.7	\$664.7	\$1,405.1	\$1,309.5
Cost of sales	478.3	445.8	941.3	866.3
Gross profit	225.4	218.9	463.8	443.2
Operating expenses	140.3	138.8	280.0	274.0
Operating income	85.1	80.1	183.8	169.2
Interest expense	5.3	5.1	9.5	10.3
Other income, net	(0.7)	(1.4)	(2.6)	(2.2)
Earnings before income taxes	80.5	76.4	176.9	161.1
Income taxes	20.4	129.3	43.0	153.1
Net earnings (loss)	\$60.1	\$(52.9)	\$133.9	\$8.0
Weighted average shares – basic	128.3	130.6	128.6	130.7
Weighted average shares – diluted	130.0	130.6	130.6	132.8
Net earnings (loss) per share – basic	\$0.47	\$(0.40)	\$1.04	\$0.06
Net earnings (loss) per share – diluted	\$0.46	\$(0.40)	\$1.03	\$0.06
Dividends paid per share	\$0.19	\$0.18	\$0.38	\$0.36

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In millions)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
Net earnings (loss)	\$60.1	\$(52.9)	\$133.9	\$8.0
Other comprehensive (loss) income:				
Foreign currency translation income (loss)	23.7	55.5	(0.5)	50.4
Pension liability adjustment, net of deferred taxes of \$(0.2), \$(0.4), \$(0.6) and \$(0.9), respectively	0.5	0.2	2.1	1.0
Gain (loss) on hedging derivatives, net of deferred taxes of \$0.0, \$0.3, \$(0.2) and \$(0.9), respectively	—	(0.6)	0.5	1.7
Comprehensive income	\$84.3	\$2.2	\$136.0	\$61.1

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

(Unaudited)

	January 31, 2019	July 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 191.2	\$ 204.7
Accounts receivable, less allowance of \$6.2 and \$8.3, respectively	515.3	534.6
Inventories, net	365.6	334.1
Prepaid expenses and other current assets	85.6	52.3
Total current assets	1,157.7	1,125.7
Property, plant and equipment, net	552.5	509.3
Goodwill	310.5	238.4
Intangible assets, net	77.5	35.6
Deferred income taxes	15.4	19.2
Other long-term assets	52.7	48.4
Total assets	\$ 2,166.3	\$ 1,976.6
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	\$ 50.4	\$ 28.2
Current maturities of long-term debt	15.6	15.3
Trade accounts payable	226.7	201.3
Other current liabilities	200.4	224.6
Total current liabilities	493.1	469.4
Long-term debt	632.5	