GOODRICH CORP
Form 10-Q
October 22, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q

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

For the quarterly period ended September 30, 2009

OR

o **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 1-892

GOODRICH CORPORATION

(Exact name of registrant as specified in its charter)

New York	**34-0252680**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*
Four Coliseum Centre **2730 West Tyvola Road** **Charlotte, North Carolina**	**28217**
(Address of Principal Executive Offices)	*(Zip Code)*

Registrant s telephone number, including area code: (704) 423-7000

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 þ No o

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 (Section 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 þ No o

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. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

At September 30, 2009, there were 124,357,280 shares of common stock outstanding (excluding 14,000,000 shares held by a wholly owned subsidiary). There is only one class of common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have reviewed the condensed consolidated balance sheet of Goodrich Corporation as of September 30, 2009, and the related condensed consolidated statement of income for the three- and nine- month periods ended September 30, 2009 and 2008, and the condensed consolidated statement of cash flows for the nine-month period ended September 30, 2009 and 2008. These financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Goodrich Corporation as of December 31, 2008, and the related consolidated statements of income, shareholders equity, and cash flows for the year then ended, not presented herein; and in our report dated February 16, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Charlotte, North Carolina
October 22, 2009

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CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions, except per share amounts)			
Sales	$ 1,647.7	$ 1,772.3	$ 5,043.3	$ 5,366.6
Operating costs and expenses:				
Cost of sales	1,169.2	1,214.9	3,553.2	3,715.2
Selling and administrative costs	249.6	260.6	752.0	791.6
	1,418.8	1,475.5	4,305.2	4,506.8
Operating Income	228.9	296.8	738.1	859.8
Interest expense	(30.7)	(26.7)	(90.2)	(85.2)
Interest income	0.3	1.4	1.0	5.1
Other income (expense) net	(7.9)	(5.6)	(18.7)	(18.4)
Income from continuing operations before income taxes	190.6	265.9	630.2	761.3
Income tax expense	(45.7)	(94.1)	(162.4)	(242.5)
Income From Continuing Operations	144.9	171.8	467.8	518.8
Income from discontinued operations net of income taxes	3.3	0.2	35.0	7.5
Consolidated Net Income	148.2	172.0	502.8	526.3
Net income attributable to noncontrolling interests	(2.8)	(4.0)	(10.5)	(13.8)
Net Income Attributable to Goodrich	$ 145.4	$ 168.0	$ 492.3	$ 512.5
Amounts attributable to Goodrich:				
Income from continuing operations	$ 142.1	$ 167.8	$ 457.3	$ 505.0
Income from discontinued operations net of income taxes	3.3	0.2	35.0	7.5
Net Income Attributable to Goodrich	$ 145.4	$ 168.0	$ 492.3	$ 512.5
Earnings per common share attributable to Goodrich:				
Basic Earnings Per Share				
Continuing operations	$ 1.13	$ 1.33	$ 3.64	$ 3.99
Discontinued operations	0.02		0.28	0.06
Net Income Attributable to Goodrich	$ 1.15	$ 1.33	$ 3.92	$ 4.05
Diluted Earnings Per Share				

Continuing operations	$	1.12	$	1.32	$	3.61	$	3.95
Discontinued operations		0.02				0.27		0.06
Net Income Attributable to Goodrich	$	1.14	$	1.32	$	3.88	$	4.01
Dividends Declared Per Common Share	$	0.25	$	0.225	$	0.75	$	0.675

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	September 30, 2009	December 31, 2008
	(Dollars in millions, except share amounts)	
Current Assets		
Cash and cash equivalents	$ 789.6	$ 370.3
Accounts and notes receivable, less allowances for doubtful receivables ($16.9 at September 30, 2009 and $17.2 at December 31, 2008)	1,127.8	1,048.9
Inventories net	2,181.9	1,974.7
Deferred income taxes	144.6	153.5
Prepaid expenses and other assets	63.9	47.2
Income taxes receivable	18.0	73.7
Total Current Assets	4,325.8	3,668.3
Property, plant and equipment net	1,390.8	1,391.4
Prepaid pension	0.7	0.6
Goodwill	1,423.1	1,390.2
Identifiable intangible assets net	411.6	402.8
Deferred income taxes	93.7	92.0
Other assets	627.7	537.6
Total Assets	$ 8,273.4	$ 7,482.9
Current Liabilities		
Short-term debt	$ 36.7	$ 37.7
Accounts payable	562.6	646.4
Accrued expenses	949.1	1,005.3
Income taxes payable	96.1	5.6
Deferred income taxes	25.0	25.0
Current maturities of long-term debt and capital lease obligations	0.5	121.3
Total Current Liabilities	1,670.0	1,841.3
Long-term debt and capital lease obligations	1,708.7	1,410.4
Pension obligations	884.6	973.9
Postretirement benefits other than pensions	275.8	309.4
Long-term income taxes payable	164.2	172.3
Deferred income taxes	131.3	62.3
Other non-current liabilities	495.2	561.1
Shareholders Equity		
Common stock $5 par value		
Authorized 200,000,000 shares; issued 144,958,814 shares at September 30, 2009 and 143,611,254 shares at December 31, 2008 (excluding 14,000,000 shares held by a wholly owned subsidiary)	724.8	718.1
Additional paid-in capital	1,577.8	1,525.3

Income retained in the business	2,017.1	1,619.2
Accumulated other comprehensive income (loss)	(638.8)	(978.1)
Common stock held in treasury, at cost (20,601,534 shares at September 30, 2009 and 20,410,556 shares at December 31, 2008)	(800.9)	(793.2)
Total Shareholders Equity	2,880.0	2,091.3
Noncontrolling interests	63.6	60.9
Total Equity	2,943.6	2,152.2
Total Liabilities And Equity	$ 8,273.4	$ 7,482.9

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 2009	2008
	(Dollars in millions)	
Operating Activities		
Consolidated net income	$ 502.8	$ 526.3
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Income from discontinued operations	(35.0)	(7.5)
Restructuring and consolidation:		
Expenses	15.6	1.3
Payments	(10.1)	(1.7)
Pension and postretirement benefits:		
Expenses	149.1	76.9
Contributions and benefit payments	(202.5)	(124.2)
Depreciation and amortization	185.1	192.0
Excess tax benefits related to share-based payment arrangements	(3.3)	(8.4)
Share-based compensation expense	45.1	25.5
Deferred income taxes	12.1	(9.0)
Change in assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	(44.1)	(149.1)
Inventories, net of pre-production and excess-over-average	(28.0)	(144.4)
Pre-production and excess-over-average inventories	(124.9)	(83.3)
Other current assets	1.0	(2.8)
Accounts payable	(99.8)	107.9
Accrued expenses	(53.9)	(55.5)
Income taxes payable/receivable	135.7	151.2
Other non-current assets and liabilities	(17.9)	(34.4)
Net Cash Provided By Operating Activities	427.0	460.8
Investing Activities		
Purchases of property, plant and equipment	(115.0)	(189.6)
Proceeds from sale of property, plant and equipment	1.3	2.8
Payments made for acquisitions, net of cash acquired	(29.9)	(131.8)
Investments in and advances to equity investees	(1.5)	
Net Cash Used In Investing Activities	(145.1)	(318.6)
Financing Activities		
Increase (decrease) in short-term debt, net	(1.5)	90.6
Proceeds (repayments) of long-term debt and capital lease obligations	177.4	(198.1)
Proceeds from issuance of common stock	26.4	24.2
Purchases of treasury stock	(7.8)	(138.3)
Dividends paid	(94.1)	(85.7)
Excess tax benefits related to share-based payment arrangements	3.3	8.4
Distributions to noncontrolling interests	(7.8)	(6.8)

Net Cash Provided By (Used In) Financing Activities	95.9	(305.7)
Discontinued Operations		
Net cash provided by (used in) operating activities	34.2	(2.6)
Net cash provided by (used in) investing activities		15.7
Net cash provided by (used in) financing activities		
Net cash provided by discontinued operations	34.2	13.1
Effect of exchange rate changes on cash and cash equivalents	7.3	(8.7)
Net increase (decrease) in cash and cash equivalents	419.3	(159.1)
Cash and cash equivalents at beginning of period	370.3	406.0
Cash and cash equivalents at end of period	$ 789.6	$ 246.9

See Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Interim Financial Statement Preparation and Use of Estimates

The accompanying unaudited condensed consolidated financial statements of Goodrich Corporation and its subsidiaries have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. Unless indicated otherwise or the context requires, the terms we, our, us, Goodrich or Company refe Goodrich Corporation and its subsidiaries. The Company believes that all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain amounts in prior year financial statements have been reclassified to conform to the current year presentation. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be achieved for the twelve months ending December 31, 2009. For further information, refer to the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

The preparation of financial statements requires management to make estimates and assumptions that affect amounts recognized. Estimates and assumptions are reviewed and updated regularly as new information becomes available. During the three and nine months ended September 30, 2009 and 2008, the Company changed its estimates of revenues and costs on certain long-term contracts primarily in its aerostructures and aircraft wheels and brakes businesses. The changes in estimates increased income from continuing operations before income taxes during the three months ended September 30, 2009 and 2008 by $12.6 million and $38.7 million, respectively ($7.9 million and $23.7 million after tax, respectively). The changes in estimates increased income from continuing operations before income taxes during the nine months ended September 30, 2009 and 2008 by $26.1 million and $87.4 million, respectively ($16.3 million and $53.6 million after tax, respectively). These revisions were primarily related to favorable cost and operational performance, changes in volume expectations and to some extent, sales pricing improvements on follow-on contracts.

Note 2. New Accounting Standards

New Accounting Standards Adopted in 2009

Accounting Standards Codification

The Accounting Standards Codification (ASC) has become the source of authoritative U.S. generally accepted accounting principles (U.S. GAAP). The ASC only changes the referencing of financial accounting standards and does not change or alter existing U.S. GAAP.

Fair Value Measurements

The Company adopted a new accounting standard included in ASC 820, Fair Value Measurements and Disclosures , which delayed the effective date for disclosing all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). This standard did not have a material impact on the Company s financial condition and results of operations. See Note 9, Fair Value Measurements .

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The Company adopted a new accounting standard included in ASC 715, Compensation-Retirement Benefits , which requires additional disclosures about assets held in an employer s defined benefit pension or other postretirement plan. This standard requires annual disclosures about the Company s pension and other postretirement plan assets. The adoption will not affect the Company s financial condition or results of operations.

Two-class Method of Computing Earnings Per Share

The Company adopted a new accounting standard included in ASC 260, Earnings Per Share , whereby unvested share-based payment awards that contains rights to receive nonforfeitable dividends or dividend equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share (EPS). The adoption of this standard did not have a material impact on the Company s disclosure of EPS. See Note 8, Earnings Per Share .

Disclosures about Derivative Instruments and Hedging Activities

The Company adopted a new accounting standard included in ASC 815, Derivatives and Hedging requiring entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under U.S. GAAP, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows. See Note 19, Derivatives and Hedging Activities .

Business Combinations and Noncontrolling Interests

The Company adopted a new accounting standard included in ASC 810, Consolidation . The Company changed the presentation of its noncontrolling (minority) interests. See Note 15, Noncontrolling Interests .

The Company adopted a new accounting standard included in ASC 805, Business Combinations which significantly changed the accounting for and reporting of business combination transactions. This standard was effective for the Company for business combination transactions for which the acquisition date was on or after January 1, 2009. See Note 11, Goodwill , for business combination transactions during the nine months ended September 30, 2009.

Subsequent Events

The Company adopted a new accounting standard included in ASC 855, Subsequent Events which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, this standard requires an entity to disclose the date through which subsequent events have been evaluated. The Company has evaluated subsequent events through the time of filing of these condensed consolidated financial statements.

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New Accounting Standards Not Yet Adopted

In June 2009, new accounting guidance was issued that is expected to be included in ASC 810, Consolidation . This statement amends the consolidation guidance applicable to variable interest entities and is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. Upon adoption, the Company does not expect this standard to have a material impact on its financial condition or results of operations.

Note 3. Business Segment Information

The Company s three business segments are as follows:

The Actuation and Landing Systems segment provides systems, components and related services pertaining to aircraft taxi, take-off, flight control, landing and stopping, and engine components, including fuel delivery systems and rotating assemblies.

The Nacelles and Interior Systems segment produces products and provides maintenance, repair and overhaul services associated with aircraft engines, including thrust reversers, cowlings, nozzles and their components, and aircraft interior products, including slides, seats, cargo and lighting systems.

The Electronic Systems segment produces a wide array of systems and components that provide flight performance measurements, flight management, fuel controls, electrical systems, and control and safety data, and reconnaissance and surveillance systems.

The Company measures each reporting segment s profit based upon operating income. Accordingly, the Company does not allocate net interest expense, other income (expense) net and income taxes to its reporting segments. The company-wide Enterprise Resource Planning (ERP) implementation costs that are not directly associated with a specific business were not allocated to the segments. The accounting policies of the reportable segments are the same as those for the Company s condensed consolidated financial statements.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Sales:				
Actuation and Landing Systems	$ 629.3	$ 664.2	$ 1,879.2	$ 2,035.9
Nacelles and Interior Systems	561.8	596.5	1,789.2	1,882.1
Electronic Systems	456.6	511.6	1,374.9	1,448.6
	$ 1,647.7	$ 1,772.3	$ 5,043.3	$ 5,366.6
Intersegment sales:				
Actuation and Landing Systems	$ 6.7	$ 8.5	$ 20.4	$ 26.4
Nacelles and Interior Systems	2.6	1.9	6.6	11.3
Electronic Systems	8.1	6.6	24.0	19.3
	$ 17.4	$ 17.0	$ 51.0	$ 57.0
Operating income:				
Actuation and Landing Systems	$ 59.7	$ 80.0	$ 198.6	$ 238.6
Nacelles and Interior Systems	130.8	162.4	414.7	501.9
Electronic Systems	70.4	79.3	211.4	199.8
	260.9	321.7	824.7	940.3
Corporate general and administrative expenses	(28.0)	(21.1)	(75.2)	(67.8)
ERP implementation costs	(4.0)	(3.8)	(11.4)	(12.7)

Total operating income	$ 228.9	$ 296.8	$ 738.1	$ 859.8

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Note 4. Restructuring

The Company incurred $7.8 million and $0.7 million of restructuring costs for the three months ended September 30, 2009 and 2008, respectively. The restructuring costs for the nine months ended September 30, 2009 and 2008 were $15.6 million and $1.3 million, respectively. The restructuring actions were primarily related to severance costs. The goal of these programs was to reduce operating costs. Restructuring costs by segment were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Actuation and Landing Systems	$ 1.5	$	$ 3.1	$
Nacelles and Interior Systems	3.1	0.7	9.2	1.3
Electronic Systems	3.2		3.3	
	$ 7.8	$ 0.7	$ 15.6	$ 1.3

Restructuring costs by income statement account were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Cost of sales	$ 4.6	$ 0.6	$ 9.8	$ 1.0
Selling and administrative costs	3.2	0.1	5.8	0.3
	$ 7.8	$ 0.7	$ 15.6	$ 1.3

Note 5. Other Income (Expense) net

Other Income (Expense) net consisted of the following:

	Three Months Ended September 30,	Nine Months Ended September 30,
	2009	