NEWELL RUBBERMAID INC
Form 10-Q
August 10, 2009
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# UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

**for the Quarterly Period Ended June 30, 2009**

**Commission File Number 1-9608**

# NEWELL RUBBERMAID INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| DELAWARE<br>(State or other jurisdiction of<br>incorporation or organization) | 36-3514169<br>(I.R.S. Employer<br>Identification No.) |

Three Glenlake Parkway

Atlanta, Georgia 30328

(Address of principal executive offices)

(Zip Code)

(770) 418-7000

(Registrant s telephone number, including area code)

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 ¨

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 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. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer þ | Accelerated filer ¨ | Non-accelerated filer ¨<br>(Do not check if a smaller reporting company) | Smaller reporting company ¨ |

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

Number of shares of common stock outstanding (net of treasury shares) as of June 30, 2009: 277.7 million.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

*(Amounts in millions, except per share data)*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | $ 1,504.3 | $ 1,825.1 | $ 2,708.2 | $ 3,258.8 |
| Cost of products sold | 946.0 | 1,201.9 | 1,727.1 | 2,145.1 |
| GROSS MARGIN | 558.3 | 623.2 | 981.1 | 1,113.7 |
| Selling, general and administrative expenses | 329.3 | 392.9 | 640.8 | 753.9 |
| Restructuring costs | 29.5 | 69.4 | 60.0 | 87.8 |
| OPERATING INCOME | 199.5 | 160.9 | 280.3 | 272.0 |
| Nonoperating expenses: | | | | |
| Interest expense, net | 40.3 | 38.7 | 70.9 | 64.5 |
| Other expense, net | 1.2 | 0.4 | 1.9 | 0.2 |
| Net nonoperating expenses | 41.5 | 39.1 | 72.8 | 64.7 |
| INCOME BEFORE INCOME TAXES | 158.0 | 121.8 | 207.5 | 207.3 |
| Income taxes | 52.3 | 28.9 | 68.1 | 56.6 |
| INCOME FROM CONTINUING OPERATIONS | 105.7 | 92.9 | 139.4 | 150.7 |
| Loss from discontinued operations, net of tax (1) | | | | (0.5) |
| NET INCOME | 105.7 | 92.9 | 139.4 | 150.2 |
| NET INCOME NONCONTROLLING INTERESTS | | 0.4 | | 0.8 |
| NET INCOME CONTROLLING INTERESTS | $ 105.7 | $ 92.5 | $ 139.4 | $ 149.4 |
| Weighted average shares outstanding: | | | | |
| Basic | 280.8 | 280.0 | 280.7 | 279.8 |
| Diluted | 286.8 | 280.0 | 283.7 | 279.8 |
| Earnings per share: | | | | |
| Basic | | | | |
| Income from continuing operations | $ 0.38 | $ 0.33 | $ 0.50 | $ 0.54 |
| Loss from discontinued operations | | | | |
| Net income controlling interests | $ 0.38 | $ 0.33 | $ 0.50 | $ 0.54 |
| Diluted | | | | |
| Income from continuing operations | $ 0.37 | $ 0.33 | $ 0.49 | $ 0.54 |

| | | | | |
|---|---|---|---|---|
| Loss from discontinued operations | | | | |
| Net income controlling interests | $ 0.37 | $ 0.33 | $ 0.49 | $ 0.54 |
| Dividends per share | $ 0.05 | $ 0.21 | $ 0.16 | $ 0.42 |

(1) Loss from discontinued operations is attributed to controlling interests.

*See Notes to Condensed Consolidated Financial Statements (Unaudited).*

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**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

*(Amounts in millions)*

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 418.1 | $ 275.4 |
| Accounts receivable, net | 1,096.2 | 969.3 |
| Inventories, net | 848.4 | 912.1 |
| Deferred income taxes | 129.6 | 100.4 |
| Prepaid expenses and other | 110.5 | 136.6 |
| TOTAL CURRENT ASSETS | 2,602.8 | 2,393.8 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 603.1 | 630.7 |
| DEFERRED INCOME TAXES | 15.9 | 107.8 |
| GOODWILL | 2,722.0 | 2,698.9 |
| OTHER INTANGIBLE ASSETS, NET | 645.6 | 640.5 |
| OTHER ASSETS | 326.8 | 320.8 |
| TOTAL ASSETS | $ 6,916.2 | $6,792.5 |

*See Notes to Condensed Consolidated Financial Statements (Unaudited).*

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**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (CONTINUED)**

*(Amounts in millions, except par value)*

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 460.8 | $ 535.5 |
| Accrued compensation | 111.8 | 79.5 |
| Other accrued liabilities | 659.2 | 858.1 |
| Notes payable | 7.1 | 8.3 |
| Current portion of long-term debt | 627.1 | 752.7 |
| TOTAL CURRENT LIABILITIES | 1,866.0 | 2,234.1 |
| LONG-TERM DEBT | 2,393.5 | 2,118.3 |
| OTHER NONCURRENT LIABILITIES | 873.9 | 851.5 |
| STOCKHOLDERS EQUITY: | | |
| Preferred stock, authorized shares, 10.0 at $1.00 par value | | |
| None issued and outstanding | | |
| Common stock, authorized shares, 800.0 at $1.00 par value | 293.9 | 293.1 |
| Outstanding shares, before treasury: | | |
| 2009 - 293.9 | | |
| 2008 - 293.1 | | |
| Treasury stock, at cost: | (420.4) | (418.0) |
| Shares held: | | |
| 2009 - 16.2 | | |
| 2008 - 16.0 | | |
| Additional paid-in capital | 653.0 | 606.7 |
| Retained earnings | 1,702.6 | 1,606.6 |
| Accumulated other comprehensive loss | (449.9) | (502.4) |
| STOCKHOLDERS EQUITY ATTRIBUTABLE TO PARENT | 1,779.2 | 1,586.0 |
| STOCKHOLDERS EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 3.6 | 2.6 |
| TOTAL STOCKHOLDERS EQUITY | 1,782.8 | 1,588.6 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | $ 6,916.2 | $6,792.5 |

*See Notes to Condensed Consolidated Financial Statements (Unaudited).*

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**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

*(Amounts in millions)*

| | Six Months Ended June 30, 2009 | 2008 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Net income controlling interests | $ 139.4 | $ 149.4 |
| Adjustments to reconcile net income controlling interests to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 83.9 | 91.0 |
| Deferred income taxes | 14.8 | 29.1 |
| Non-cash restructuring costs | 13.3 | 46.4 |
| Gain on sale of assets | (1.0) | |
| Stock-based compensation expense | 16.6 | 16.9 |
| Loss on disposal of discontinued operations | | 0.5 |
| Other, net | 13.9 | 0.8 |
| Changes in operating assets and liabilities, excluding the effects of acquisitions: | | |
| Accounts receivable | (115.3) | (87.7) |
| Inventories | 78.3 | (132.8) |
| Accounts payable | (77.8) | (8.4) |
| Accrued liabilities and other | (78.1) | (224.6) |
| Discontinued operations | | (1.9) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 88.0 | (121.3) |
| INVESTING ACTIVITIES: | | |
| Acquisitions, net of cash acquired | (12.1) | (644.1) |
| Capital expenditures | (70.7) | (78.2) |
| Proceeds from sales of noncurrent assets | 5.7 | 0.5 |
| NET CASH USED IN INVESTING ACTIVITIES | (77.1) | (721.8) |
| FINANCING ACTIVITIES: | | |
| Proceeds from issuance of debt, net of debt issuance costs | 759.8 | 919.7 |
| Proceeds from issuance of warrants | 32.7 | |
| Purchase of call options | (69.0) | |
| Payments on notes payable and debt | (517.2) | (81.7) |
| Cash dividends | (43.4) | (117.4) |
| Purchase of noncontrolling interests in consolidated subsidiaries | (29.0) | |
| Other, net | (4.1) | 0.2 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 129.8 | 720.8 |
| Currency rate effect on cash and cash equivalents | 2.0 | 4.5 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 142.7 | (117.8) |
| Cash and cash equivalents at beginning of period | 275.4 | 329.2 |

| | | |
|---|---|---|
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 418.1 | $ 211.4 |

*See Notes to Condensed Consolidated Financial Statements (Unaudited).*

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**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Footnote 1 Basis of Presentation and Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements of Newell Rubbermaid Inc. (collectively with its subsidiaries, the Company ) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and do not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and the results of operations. It is recommended that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements and the footnotes thereto included in the Company s latest Annual Report on Form 10-K.

**Seasonal Variations:** The Company s sales and operating income in the first quarter are generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the quarter.

**Recently Adopted Accounting Pronouncements:** In February 2008, the Financial Accounting Standards Board ( FASB ) issued Staff Position ( FSP ) 157-2 Effective Date of FASB Statement No. 157 ( FSP 157-2 ), which deferred the effective date of Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements ( SFAS 157 ) as it relates to fair value measurement requirements for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis until January 1, 2009. The adoption of SFAS 157 for the Company s nonfinancial assets and nonfinancial liabilities did not have a material impact on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations ( SFAS 141(R) ). SFAS 141(R) significantly changes the accounting for business combination transactions by requiring an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value. SFAS 141(R) also requires acquiring entities to expense transaction costs associated with the acquisition and expense certain restructuring costs associated with integrating the acquired operations, both of which were previously capitalizable as part of an acquisition. Additionally, SFAS 141(R) modifies the accounting treatment for certain specified items related to business combinations and requires a substantial number of new disclosures. SFAS 141(R) is effective for the Company for business combinations with an acquisition date after January 1, 2009. The adoption of SFAS 141(R) did not have an impact on the Company s financial statements, but it could have a material effect on the way the Company accounts for future acquisitions.

In April 2009, the FASB issued FSP 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ( FSP 141(R)-1 ). FSP 141(R)-1 amends and clarifies SFAS 141(R) to address application issues associated with initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is after January 1, 2009. The adoption of FSP 141(R)-1 did not have an impact on the Company s financial statements, but it could have a material effect on the way the Company accounts for future acquisitions.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51 ( SFAS 160 ). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income (loss) attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes reporting requirements that require sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. As required by SFAS 160, on January 1, 2009, the Company retrospectively adopted the presentation and disclosure requirements of SFAS 160 and prospectively adopted all other requirements. The adoption of SFAS 160 resulted in the reclassification of the minority interest in net income (loss) of subsidiaries from other expense (income), net to net income noncontrolling interests in the Condensed Consolidated Statements of Income and the reclassification of the minority interest in the stockholders equity of consolidated subsidiaries from other noncurrent liabilities to stockholders equity attributable to noncontrolling interests in the Condensed Consolidated Balance Sheets. The adoption of SFAS 160 on January 1, 2009 also resulted in the Company classifying $29.0 million for the purchase of minority interests in consolidated subsidiaries as a financing cash flow in the six months ended June 30, 2009, and similar transactions would have been classified as an investing cash flow prior to the adoption of SFAS 160. The adoption of SFAS 160 will continue to impact how transactions between the Company and minority shareholders are presented and classified in the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows.

The Company adopted Emerging Issues Task Force ( EITF ) Topic No. D-98, Classification and Measurement of Redeemable Securities ( EITF D-98 ), in conjunction with its adoption of SFAS 160. EITF D-98 is applicable for all noncontrolling interests where the Company is required to purchase noncontrolling interests in a consolidated subsidiary from the noncontrolling interest holder at a specified future date, and the purchase is outside of the Company s control. The Company was required to purchase the noncontrolling interest in an international subsidiary at fair value, $28.2 million, in the six months ended June 30, 2009. In connection with the adoption of SFAS 160 and EITF D-98, the Condensed Consolidated Balance Sheet as of December 31, 2008 has been adjusted to reflect the estimated fair value of the noncontrolling interest the Company was required to purchase, $28.2 million, as an

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increase in other accrued liabilities and as a decrease in retained earnings. The following table summarizes the impact of the retrospective adoption of SFAS 160 and EITF D-98 on the Company s balance sheet as of December 31, 2008 *(in millions)*:

| | Other Accrued Liabilities | Other Noncurrent Liabilities | Retained Earnings | Stockholders Equity Attributable to Noncontrolling Interests |
|---|---|---|---|---|
| December 31, 2008, as reported | $829.9 | $854.1 | $1,634.8 | $ |
| Minority interest (noncontrolling interests) in consolidated subsidiaries | | (2.6) | | 2.6 |
| Fair value of noncontrolling interest the Company is required to purchase | 28.2 | | (28.2) | |
| December 31, 2008, as adjusted | $858.1 | $851.5 | $1,606.6 | $2.6 |

The retrospective adoption of EITF D-98 and SFAS 160 had a similar impact on the Company s balance sheets as of June 30, 2008 and December 31, 2007.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment to FASB Statement No. 133 ( SFAS 161 ). SFAS 161 is intended to improve financial reporting by requiring enhanced disclosures for derivative instruments and hedging activities to enable investors to better understand how derivative instruments are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ( SFAS 133 ), and their effects on an entity s financial position, financial performance and cash flows. SFAS 161 was effective for the Company beginning with the three months ended March 31, 2009. The adoption of SFAS 161 did not have a significant impact on the Company s financial statements. See Footnote 7 for disclosures required by SFAS 161.

In April 2008, the FASB issued FSP SFAS 142-3, Determination of the Useful Life of Intangible Assets ( FSP SFAS 142-3 ). FSP SFAS 142-3 amends the factors an entity should consider when developing renewal or extension assumptions for determining the useful lives of recognized intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets ( SFAS 142 ). FSP SFAS 142-3 is intended to improve the consistency between the useful lives of recognized intangible assets under SFAS 142 and the period