

Spectrum Brands, Inc.
Form 10-Q
August 18, 2010
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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 4, 2010

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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Delaware
(State or other jurisdiction of
incorporation or organization)

22-2423556
(I.R.S. Employer
Identification Number)

601 Rayovac Drive

Madison, Wisconsin
(Address of principal executive offices)

53711
(Zip Code)

(608) 275-3340

(Registrant's telephone number, including area code)

N/A

(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 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 (§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 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

Accelerated filer

Non-accelerated filer

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

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QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED July 4, 2010

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SPECTRUM BRANDS, INC.****Condensed Consolidated Statements of Financial Position****July 4, 2010 and September 30, 2009****(Unaudited)****(Amounts in thousands, except per share figures)**

| | July 4, 2010 | Successor Company September 30, 2009 |
|---|---------------------|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 115,941 | \$ 97,800 |
| Receivables: | | |
| Trade accounts receivable, net of allowances of \$8,825 and \$1,011, respectively | 378,694 | 274,483 |
| Other | 43,497 | 24,968 |
| Inventories | 514,415 | 341,505 |
| Deferred income taxes | 27,953 | 28,137 |
| Assets held for sale | 12,238 | 11,870 |
| Prepaid expenses and other | 47,354 | 39,973 |
| Total current assets | 1,140,092 | 818,736 |
| Property, plant and equipment, net | 189,333 | 212,361 |
| Deferred charges and other | 33,271 | 34,934 |
| Goodwill | 590,926 | 483,348 |
| Intangible assets, net | 1,754,439 | 1,461,945 |
| Debt issuance costs | 59,390 | 9,422 |
| Total assets | \$ 3,767,451 | \$ 3,020,746 |
| LIABILITIES AND SHAREHOLDERS DEFICIT | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 46,261 | \$ 53,578 |
| Accounts payable | 257,898 | 186,235 |
| Accrued liabilities: | | |
| Wages and benefits | 79,281 | 88,443 |
| Income taxes payable | 35,287 | 21,950 |
| Restructuring and related charges | 22,099 | 26,104 |
| Accrued interest | 8,086 | 8,678 |
| Other | 124,639 | 110,080 |
| Total current liabilities | 573,551 | 495,068 |
| Long-term debt, net of current maturities | 1,734,746 | 1,529,957 |
| Employee benefit obligations, net of current portion | 66,045 | 55,855 |
| Deferred income taxes | 269,112 | 227,498 |
| Other | 57,010 | 51,489 |

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| | | |
|---|------------------|----------------|
| Total liabilities | 2,700,464 | 2,359,867 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, \$.01 par value, authorized 150,000 shares; issued 30,000 shares, outstanding shares, at September 30, 2009 | | 300 |
| Additional paid-in capital | | 724,796 |
| Other capital | 1,310,453 | |
| Accumulated deficit | (236,373) | (70,785) |
| Accumulated other comprehensive (loss) income | (7,093) | 6,568 |
| Total shareholders' equity | 1,066,987 | 660,879 |
| | | |
| Total liabilities and shareholders' equity | \$ 3,767,451 | \$ 3,020,746 |

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 4, 2010 and June 28, 2009****(Unaudited)****(Amounts in thousands, except per share figures)**

| | Successor Company THREE MONTHS ENDED 2010 | Predecessor Company 2009 | Successor Company NINE MONTHS ENDED 2010 | Predecessor Company 2009 |
|---|--|--------------------------------|---|--------------------------------|
| Net sales | \$ 653,486 | \$ 589,361 | \$ 1,778,012 | \$ 1,641,126 |
| Cost of goods sold | 398,727 | 358,661 | 1,125,571 | 1,022,914 |
| Restructuring and related charges | 1,890 | 403 | 5,530 | 13,210 |
| Gross profit | 252,869 | 230,297 | 646,911 | 605,002 |
| Selling | 112,380 | 95,039 | 327,832 | 301,220 |
| General and administrative | 53,619 | 42,375 | 139,763 | 116,822 |
| Research and development | 7,078 | 6,313 | 21,346 | 17,638 |
| Acquisition and integration related charges | 17,002 | | 22,472 | |
| Restructuring and related charges | 2,954 | 2,829 | 11,132 | 27,190 |
| Total operating expenses | 193,033 | 146,556 | 522,545 | 462,870 |
| Operating income | 59,836 | 83,741 | 124,366 | 142,132 |
| Interest expense | 132,238 | 48,649 | 230,130 | 148,559 |
| Other expense (income), net | 1,443 | (841) | 8,427 | 3,546 |
| (Loss) income from continuing operations before reorganization items and income taxes | (73,845) | 35,933 | (114,191) | (9,973) |
| Reorganization items expense, net | | 62,521 | 3,646 | 83,832 |
| Loss from continuing operations before income taxes | (73,845) | (26,588) | (117,837) | (93,805) |
| Income tax expense | 12,460 | 7,893 | 45,016 | 31,842 |
| Loss from continuing operations | (86,305) | (34,481) | (162,853) | (125,647) |
| Loss from discontinued operations, net of tax | | (2,040) | (2,735) | (83,980) |
| Net loss | \$ (86,305) | \$ (36,521) | \$ (165,588) | \$ (209,627) |

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 4, 2010 and June 28, 2009****(Unaudited)****(Amounts in thousands)**

| | Successor Company | Predecessor Company |
|---|------------------------------|--------------------------------|
| | NINE MONTHS ENDED | |
| | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net loss | \$ (165,588) | \$ (209,627) |
| Loss from discontinued operations | (2,735) | (83,980) |
| Loss from continuing operations | (162,853) | (125,647) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation | 39,488 | 29,859 |
| Amortization of intangibles | 31,744 | 15,560 |
| Amortization of unearned restricted stock compensation | 12,259 | 2,047 |
| Amortization of debt issuance costs | 6,657 | 11,523 |
| Administrative related reorganization items | 3,646 | 83,832 |
| Payments for administrative related reorganization items | (47,173) | |
| Payments of acquisition related expenses for Russell Hobbs | (22,452) | |
| Non-cash increase to cost of goods sold due to inventory valuations | | |