

NACCO INDUSTRIES INC
Form 10-Q
August 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 30, 2011

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 1-9172

NACCO INDUSTRIES, INC.
(Exact name of registrant as specified in its
charter)

DELAWARE
(State or other jurisdiction
of incorporation or
organization)

34-1505819
(I.R.S. Employer
Identification No.)

5875 LANDERBROOK
DRIVE, CLEVELAND,
OHIO
(Address of principal
executive offices)

44124-4069
(Zip code)

(440) 449-9600
(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 (§

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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 R 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.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(Do not check if a 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 R

Number of shares of Class A Common Stock outstanding at July 29, 2011: 6,798,464
Number of shares of Class B Common Stock outstanding at July 29, 2011: 1,595,781

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Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

NACCO INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30 2011	DECEMBER 31 2010
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$301.5	\$261.9
Accounts receivable, net	437.6	425.9
Inventories, net	491.2	447.4
Deferred income taxes	16.3	21.9
Prepaid expenses and other	41.1	33.4
Assets held for sale	23.7	23.7
Total Current Assets	1,311.4	1,214.2
Property, Plant and Equipment, Net	270.9	270.4
Coal Supply Agreement, Net	59.1	60.0
Long-term Deferred Income Taxes	3.7	5.2
Other Non-current Assets	109.3	108.5
Total Assets	\$1,754.4	\$1,658.3
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$414.0	\$414.5
Revolving credit agreements - not guaranteed by the parent company	23.5	13.7
Current maturities of long-term debt - not guaranteed by the parent company	73.8	22.5
Accrued payroll	42.1	61.0
Deferred revenue	10.5	11.2
Other current liabilities	155.6	140.6
Total Current Liabilities	719.5	663.5
Long-term Debt - not guaranteed by the parent company	300.8	355.3
Pension and other Postretirement Obligations	67.3	77.8
Long-term Deferred Income Taxes	7.7	—
Other Long-term Liabilities	117.9	113.5
Total Liabilities	1,213.2	1,210.1
Stockholders' Equity		
Common stock:		
Class A, par value \$1 per share, 6,798,464 shares outstanding (2010 - 6,737,199 shares outstanding)	6.8	6.8
Class B, par value \$1 per share, convertible into Class A on a one-for-one basis, 1,595,781 shares outstanding (2010 - 1,596,093 shares outstanding)	1.6	1.6
Capital in excess of par value	24.1	22.6
Retained earnings	548.5	475.4
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	44.7	28.1
Deferred loss on cash flow hedging	(10.8) (9.0
Pension and postretirement plan adjustment	(74.4) (78.1

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Total Stockholders' Equity	540.5	447.4
Noncontrolling Interest	0.7	0.8
Total Equity	541.2	448.2
Total Liabilities and Equity	\$1,754.4	\$1,658.3

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2011	2010	2011	2010
	(In millions, except per share data)			
Revenues	\$811.0	\$598.8	\$1,556.5	\$1,156.4
Cost of sales	673.1	475.7	1,282.0	927.6
Gross Profit	137.9	123.1	274.5	228.8
Earnings of unconsolidated mines	9.5	9.5	21.6	20.0
Operating Expenses				
Selling, general and administrative expenses	116.4	104.8	229.8	198.8
Restructuring reversal	—	—	—	(1.9)
(Gain) loss on sale of assets	(0.1)	0.5	(0.1)	0.4
	116.3	105.3	229.7	197.3
Operating Profit	31.1	27.3	66.4	51.5
Other (income) expense				
Interest expense	6.1	6.9	12.3	13.7
Applica settlement and litigation costs	—	4.5	(57.2)	6.9
Other	(1.3)	(1.0)	(2.0)	(1.0)
	4.8	10.4	(46.9)	19.6
Income Before Income Taxes	26.3	16.9	113.3	31.9
Income tax provision	7.2	0.9	31.4	4.3
Net Income	19.1	16.0	81.9	27.6
Net (income) loss attributable to noncontrolling interest	0.1	(0.1)	0.1	—
Net Income Attributable to Stockholders	\$19.2	\$15.9	\$82.0	\$27.6
Comprehensive Income (Loss)	\$28.4	\$2.3	\$100.5	\$(2.5)
Basic Earnings per Share	\$2.29	\$1.91	\$9.79	\$3.32
Diluted Earnings per Share	\$2.28	\$1.91	\$9.76	\$3.31
Dividends per Share	\$0.5325	\$0.5225	\$1.0550	\$1.0400
Basic Weighted Average Shares Outstanding	8.393	8.331	8.376	8.325
Diluted Weighted Average Shares Outstanding	8.407	8.338	8.403	8.334

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30	
	2011	2010
	(In millions)	
Operating Activities		
Net income	\$81.9	\$27.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	22.9	26.2
Amortization of deferred financing fees	1.4	1.1
Deferred income taxes	11.3	3.7
Restructuring reversal	—	(1.9)
(Gain) loss on sale of assets	(0.1)	0.4
Other non-current liabilities	(3.7)	(18.1)
Other	9.4	(3.2)
Working capital changes:		
Accounts receivable	7.2	(14.3)
Inventories	(31.9)	(12.9)
Other current assets	(8.2)	(10.1)
Accounts payable	(13.2)	49.8
Other current liabilities	(21.1)	(8.9)
Net cash provided by operating activities	55.9	39.4
Investing Activities		
Expenditures for property, plant and equipment	(16.5)	(10.4)
Proceeds from the sale of assets	0.7	4.2
Other	—	(1.1)
Net cash used for investing activities	(15.8)	(7.3)
Financing Activities		
Additions to long-term debt	8.3	4.6
Reductions of long-term debt	(14.0)	(16.1)
Net additions to revolving credit agreements	9.8	15.3
Cash dividends paid	(8.9)	(8.7)
Financing fees paid	—	(2.9)
Other	—	0.1
Net cash used for financing activities	(4.8)	(7.7)
Effect of exchange rate changes on cash	4.3	(10.6)
Cash and Cash Equivalents		
Increase for the period	39.6	13.8
Balance at the beginning of the period	261.9	256.2
Balance at the end of the period	\$301.5	\$270.0

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	SIX MONTHS ENDED JUNE 30	
	2011	2010
	(In millions, except per share data)	
Stockholders' Equity:		
Class A Common Stock	\$6.8	\$6.7
Class B Common Stock	1.6	1.6
Capital in Excess of Par Value		
Beginning balance	22.6	16.1
Stock-based compensation	1.3	1.1
Shares issued under stock compensation plans	0.2	0.3
	24.1	17.5
Retained Earnings		
Beginning balance	475.4	413.3
Net income attributable to stockholders	82.0	27.6
Cash dividends on Class A and Class B common stock:		
2011 \$1.0550 per share	(8.9) —
2010 \$1.0400 per share	—	(8.7
	548.5	432.2
Accumulated Other Comprehensive Income (Loss)		
Beginning balance	(59.0) (41.1
Foreign currency translation adjustment	16.6	(20.2
Sale of certain NMHG operations	—	(5.8
Current period cash flow hedging activity	(7.0) (1.9
Reclassification of hedging activity into earnings	5.2	(5.0
Current period pension and postretirement plan activity	—	(0.1
Reclassification of pension and postretirement plan activity into earnings	3.7	2.9
	(40.5) (71.2
Total Stockholders' Equity	540.5	386.8
Noncontrolling Interest		
Beginning balance	0.8	0.5
Net loss	(0.1) —
Total Noncontrolling Interest	0.7	0.5
Total Equity	\$541.2	\$387.3

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011

(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of NACCO Industries, Inc. (the “parent company” or “NACCO”) and its wholly owned subsidiaries (collectively, “NACCO Industries, Inc. and Subsidiaries” or the “Company”). Intercompany accounts and transactions are eliminated in consolidation. Also included is Shanghai Hyster Forklift Ltd., a 75% owned joint venture of NMHG Holding Co. (“NMHG”) in China. The Company's subsidiaries operate in the following principal industries: lift trucks, small appliances, specialty retail and mining. The Company manages its subsidiaries primarily by industry.

NMHG designs, engineers, manufactures, sells and services a comprehensive line of lift trucks and aftermarket parts marketed globally under the Hyster® and Yale® brand names, primarily to independent Hyster® and Yale® retail dealerships. Lift trucks and component parts are manufactured in the United States, Northern Ireland, Mexico, Italy, Brazil, The Netherlands, China, Japan, the Philippines and Vietnam. Hamilton Beach Brands, Inc. (“HBB”) is a leading designer, marketer and distributor of small electric household appliances primarily in the United States, Canada, Mexico and Latin America, as well as commercial products for restaurants, bars and hotels. The Kitchen Collection, LLC (“KC”) is a national specialty retailer of kitchenware and gourmet foods operating under the Kitchen Collection® and Le Gourmet Chef® store names in outlet and traditional malls throughout the United States. The North American Coal Corporation and its affiliated coal companies (collectively, “NACoal”) mine and market coal primarily as fuel for power generation and provide selected value-added mining services for other natural resources companies primarily in the United States.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company as of June 30, 2011 and the results of its operations for the three and six months ended June 30, 2011 and 2010 and the results of its cash flows and changes in equity for the six months ended June 30, 2011 and 2010 have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information or notes required by U.S. generally accepted accounting principles for complete financial statements.

Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2011. Because the HBB and KC businesses are seasonal, a majority of revenues and operating profit typically occurs in the second half of the calendar year when sales of small electric household appliances to retailers and consumers increase significantly for the fall holiday-selling season. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Note 2 - Recently Issued Accounting Standards

Accounting Standards Adopted in 2011:

On January 1, 2011, the Company adopted authoritative guidance issued by the Financial Accounting Standards Board ("FASB") on multiple-deliverable revenue arrangements. The guidance amends the criteria for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. The adoption of the guidance did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.

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Accounting Standards Not Yet Adopted:

In May 2011, the FASB issued authoritative guidance on fair value measurement, which is effective for the Company on January 1, 2012. The guidance resulted in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. generally accepted accounting principles and International Financial Reporting Standards. The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.

In June 2011, the FASB issued authoritative guidance on the presentation of comprehensive income, which is effective for the Company on January 1, 2012. The guidance provides an entity with the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity. The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.

Reclassifications: Certain amounts in the prior periods' unaudited condensed consolidated financial statements have been reclassified to conform to the current period's presentation.

Note 3 - Restructuring and Related Programs

During 2009, NMHG's management approved a plan to close its facility in Modena, Italy and consolidate its activities into NMHG's facility in Masate, Italy. These actions were taken to further reduce NMHG's manufacturing capacity to more appropriate levels. As a result, NMHG recognized a charge of approximately \$5.6 million during 2009. Of this amount, \$5.3 million related to severance and \$0.3 million related to lease impairment. During 2010, \$1.9 million of the accrual was reversed as a result of a reduction in the expected amount to be paid to former employees due to the finalization of an agreement with the Italian government. Severance payments of \$0.3 million were made during the first six months of 2011. Payments related to this restructuring program are expected to continue through 2012. No further charges related to this plan are expected.

During 2008 and 2009, based on the decline in economic conditions, NMHG's management reduced its number of employees worldwide. As a result, NMHG recognized a charge of approximately \$6.3 million in 2008 and \$3.4 million in 2009 related to severance. During 2009, \$1.1 million of the accrual was reversed as a result of a reduction in the expected amount paid to employees. Severance payments of \$0.4 million were made during the first six months of 2011. Payments are expected to continue through 2011. No further charges related to this plan are expected.

Following is the detail of the cash charges related to the NMHG programs:

	Total charges expected to be incurred	Total charges incurred through December 31, 2010
NMHG Americas		