

ESTERLINE TECHNOLOGIES CORP
Form 10-Q
June 06, 2006

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 April 28, 2006

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 1-6357

ESTERLINE TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction
of incorporation or organization)

13-2595091
(I.R.S. Employer
Identification No.)

500 108th Avenue N.E., Bellevue, Washington 98004
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code 425/453-9400

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

Yes ☐ No ☒

As of June 2, 2006, 25,426,170 shares of the issuer's common stock were outstanding.

PART 1 FINANCIAL INFORMATION**Item 1. Financial Statements**

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEET

As of April 28, 2006 and October 28, 2005

(In thousands, except share amounts)

	April 28, 2006 (Unaudited)	October 28, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 46,256	\$ 118,304
Cash in escrow	4,315	11,918
Short-term investments		62,656
Accounts receivable, net of allowances of \$4,435 and \$4,462	171,236	149,751
Inventories		
Raw materials and purchased parts	80,500	64,377
Work in process	62,740	45,798
Finished goods	25,439	20,294
	168,679	130,469
Deferred income tax benefits	26,672	26,868
Prepaid expenses	10,469	7,533
Total Current Assets	427,627	507,499
Property, Plant and Equipment	322,490	282,110
Accumulated depreciation	155,811	143,896
	166,679	138,214
Other Non-Current Assets		
Goodwill	360,784	261,167
Intangibles, net	245,845	166,118
Debt issuance costs, net of accumulated amortization of \$1,939 and \$1,602	4,806	5,144
Deferred income tax benefits	17,773	13,320
Other assets	26,573	23,786
	\$ 1,250,087	\$ 1,115,248

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEET

As of April 28, 2006 and October 28, 2005

(In thousands, except share amounts)

	April 28, 2006 (Unaudited)	October 28, 2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 59,975	\$ 41,453
Accrued liabilities	108,790	119,115
Credit facilities	18,413	2,031
Current maturities of long-term debt	3,077	70,934
Federal and foreign income taxes	5,751	8,798
Total Current Liabilities	196,006	242,331
Long-Term Liabilities		
Long-term debt, net of current maturities	279,756	175,682
Deferred income taxes	74,806	46,421
Other liabilities	34,527	27,237
Commitments and Contingencies		
Minority Interest	3,158	2,713
Shareholders' Equity		
Common stock, par value \$.20 per share, authorized 60,000,000 shares, issued and outstanding 25,419,920 and 25,319,892 shares	5,084	5,064
Additional paid-in capital	265,434	260,095
Retained earnings	371,393	345,370
Accumulated other comprehensive income	19,923	10,335
Total Shareholders' Equity	661,834	620,864
	\$ 1,250,087	\$ 1,115,248

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

For the Three and Six Month Periods Ended April 28, 2006 and April 29, 2005

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	April 28, 2006	April 29, 2005	April 28, 2006	April 29, 2005
Net Sales	\$ 247,939	\$ 211,592	\$ 453,604	\$ 401,384
Cost of Sales	167,200	143,054	310,006	274,746
	80,739	68,538	143,598	126,638
Expenses				
Selling, general & administrative	40,973	35,837	76,863	66,445
Research, development & engineering	12,939	9,866	23,272	19,113
Total Expenses	53,912	45,703	100,135	85,558
Operating Earnings From Continuing Operations	26,827	22,835	43,463	41,080
Other (income) expense	(263)	28	(462)	66
Interest income	(998)	(1,025)	(1,857)	(1,560)
Interest expense	5,790	4,097	10,295	8,779
Loss on extinguishment of debt			2,156	
Other Expense, Net	4,529	3,100	10,132	7,285
Income From Continuing Operations Before Income Taxes	22,298	19,735	33,331	33,795
Income Tax Expense	4,307	5,974	6,863	9,938
Income From Continuing Operations Before Minority Interest	17,991	13,761	26,468	23,857
Minority Interest	(332)	(35)	(445)	(48)
Income From Continuing Operations	17,659	13,726	26,023	23,809
Income (Loss) From Discontinued Operations, Net of Tax		(562)		6,965
Net Earnings	\$ 17,659	\$ 13,164	\$ 26,023	\$ 30,774

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

For the Three and Six Month Periods Ended April 28, 2006 and April 29, 2005

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	April 28, 2006	April 29, 2005	April 28, 2006	April 29, 2005
Earnings (Loss) Per Share Basic:				
Continuing operations	\$.70	\$.55	\$ 1.03	\$.97
Discontinued operations		(.03)		.28
Earnings per share basic	\$.70	\$.52	\$ 1.03	\$ 1.25
Earnings (Loss) Per Share Diluted:				
Continuing operations	\$.68	\$.54	\$ 1.01	\$.95
Discontinued operations		(.02)		.28
Earnings per share diluted	\$.68	\$.52	\$ 1.01	\$ 1.23

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Month Periods Ended April 28, 2006 and April 29, 2005

(Unaudited)

(In thousands)

	Six Months Ended	
	April 28, 2006	April 29, 2005
Cash Flows Provided (Used) by Operating Activities		
Net earnings	\$ 26,023	\$ 30,774
Minority interest	445	49
Depreciation and amortization	19,838	18,508
Deferred income taxes	585	1,830
Stock-based compensation	2,649	680
Gain on sale of discontinued operations		(9,456)
Gain on sale of short-term investments	(610)	
Loss on sale of building		59
Working capital changes, net of effect of acquisitions		
Accounts receivable	919	3,040
Inventories	(22,089)	(14,535)
Prepaid expenses	(2,108)	773
Accounts payable	6,354	4,214
Accrued liabilities	(9,692)	754
Federal and foreign income taxes	(5,224)	472
Other liabilities	1,115	1,300
Other, net	(735)	(682)
	17,470	37,780
Cash Flows Provided (Used) by Investing Activities		
Purchases of capital assets	(12,392)	(9,342)
Proceeds from sale of discontinued operations		21,421
Proceeds from sale of building		2,319
Proceeds from sale of capital assets	458	146
Proceeds from sale of short-term investments	63,266	
Purchase of short-term investments		(45,486)
Acquisitions of businesses, net of cash acquired	(189,667)	(3,346)
	(138,335)	(34,288)

ESTERLINE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Month Periods Ended April 28, 2006 and April 29, 2005

(Unaudited)

(In thousands)

	Six Months Ended	
	April 28, 2006	April 29, 2005
Cash Flows Provided (Used) by Financing Activities		
Proceeds provided by stock issuance under employee stock plans	\$ 2,351	\$ 2,435
Excess tax benefits from stock option exercises	359	
Proceeds provided by sale of common stock		108,490
Net change in credit facilities	16,188	(4,424)
Proceeds from issuance of long-term debt	100,000	
Repayment of long-term obligations	(70,556)	(1,474)
	48,342	105,027
Effect of Foreign Exchange Rates on Cash	475	(294)
Net Increase (Decrease) in Cash and Cash Equivalents	(72,048)	108,225
Cash and Cash Equivalents &#		