

Goodman Global Inc
Form 10-Q/A
April 05, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(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, 2006

OR

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

Commission File No. 1-32850

GOODMAN GLOBAL, INC.

(Exact name of registrant as specified in our charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
2550 North Loop West, Suite 400
Houston, Texas

20-1932219
(I.R.S. Employer
Identification No.)
77092

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(Address of principal executive offices)

713-861-2500

(Zip Code)

(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 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.

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 August 9, 2006, the number of shares outstanding of the registrant's common stock, par value \$0.01 per share, was 68,900,859.

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Explanatory Note

This Form 10-Q/A amends the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2006, which was filed on August 10, 2006. The amendment is a result of the restatement of the Company's condensed consolidated financial statements and related financial information for the quarterly periods ended June 30, 2006 and 2005.

The Company is restating its previously filed financial statements and other financial information for the above referenced periods to correct an error related to the Company's derivative accounting treatment under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. This error and its effects are described in more detail in Note 2 to the Consolidated Condensed Financial Statements included in Item 1 - Financial Statements.

The Company is also filing an amended Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 to correct the error described above.

All of the information in this Form 10-Q/A is as of August 10, 2006, the date the Company originally filed its Form 10-Q with the Securities and Exchange Commission, and does not reflect any subsequent information or events other than the restatement discussed in Note 2 to the Consolidated Condensed Financial Statements appearing in this Form 10-Q/A. For more recent information, please see the Company's annual report on Form 10-K for the fiscal year ended December 31, 2006. For the convenience of the reader, this Form 10-Q/A sets forth the originally filed Form 10-Q in its entirety. However, the following items have been amended solely as a result of, and to reflect, the restatement, and no other information in the Form 10-Q/A is amended hereby as a result of the restatement:

Part I, Item 1 - Financial Statements

Part I, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I, Item 4 - Controls and Procedures

Part II, Item 6 - Exhibits

The Company is including currently dated Sarbanes-Oxley Act Section 302 and Section 906 certifications of the Chief Executive Officer and Chief Financial Officer that are attached to this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1.

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GOODMAN GLOBAL, INC.

Form 10-Q

For the Three and Six Months Ended June 30, 2006

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	June 30, 2006	
	(restated, see Note 2) (unaudited)	December 31, 2005
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,317	\$ 23,779
Restricted cash	2,600	2,600
Accounts receivable, net of allowance for doubtful accounts (\$8.8 million in 2006; \$7.8 million in 2005)	281,550	220,123
Inventories	377,255	303,295
Deferred tax assets	19,434	14,089
Other current assets	19,310	12,786
Total current assets	707,466	576,672
Property, plant, and equipment, net	163,317	160,549
Goodwill	391,287	391,287
Identifiable intangibles	412,004	416,437
Deferred tax assets	41,787	46,235
Deferred financing costs	25,319	30,357
Total assets	\$ 1,741,180	\$ 1,621,537
Liabilities and shareholders equity		
Current liabilities:		
Trade accounts payable	\$ 167,817	\$ 156,870
Accrued warranty	59,376	58,068
Other accrued expenses	86,933	105,341
Current portion of long-term debt	3,500	3,500
Total current liabilities	317,626	323,779
Long-term debt, less current portion	885,425	957,875
Revolving credit facility	61,800	
Other long-term liabilities	5,941	6,498
Preferred stock, 9.5% Series A cumulative, par \$.01, 250,000 authorized, 225,570 issued and outstanding as of December 31, 2005		225,570
Common stock, par value \$.01, 275,000,000 shares authorized, 68,900,859 and 47,972,166 issued and outstanding as of June 30, 2006 and December 31, 2005, respectively	689	480
Accumulated other comprehensive income (loss)	(691)	2,088
Additional paid-in capital	461,796	108,073
Retained earnings (deficit)	8,594	(2,826)

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Total shareholders' equity	470,388	107,815
Total liabilities and shareholders' equity	\$ 1,741,180	\$ 1,621,537

The accompanying notes are an integral part of the consolidated condensed financial statements.

Table of Contents**Goodman Global, Inc.****Consolidated Condensed Statements of Income**

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2006	2005	2006	2005
	(restated, see Note 2)		(restated, see Note 2)	
	(unaudited, in thousands, except share and per share data)			
Sales, net	\$ 504,454	\$ 421,134	\$ 885,142	\$ 717,441
Costs and expenses:				
Cost of goods sold	388,038	324,930	682,674	592,830
Selling, general, and administrative expenses	64,682	42,077	110,341	79,534
Depreciation expense	5,781	4,301	11,017	8,545
Amortization expense	2,216	2,400	4,433	4,800
Operating profit	43,737	47,426	76,677	31,732
Interest expense, net	21,899	18,590	41,640	36,724
Other (income) expense, net	6,325	307	6,168	(387)
Earnings (losses) before taxes	15,513	29,143	28,869	(4,605)
Provision for (benefit from) income taxes	5,885	11,015	10,827	(1,773)
Net income (loss)	\$ 9,628	\$ 18,128	\$ 18,042	\$ (2,832)
Less: Preferred stock dividends	730	5,544	6,622	10,889
Net income (loss) available to common shareholders	\$ 8,898	\$ 12,584	\$ 11,420	\$ (13,721)
Net income (loss) per share:				
Basic	\$ 0.13	\$ 0.26	\$ 0.20	\$ (0.29)
Diluted	\$ 0.13	\$ 0.26	\$ 0.19	\$ (0.29)
Average outstanding common shares:				
Basic	68,897,155	47,931,770	58,434,673	47,891,349
Diluted	70,796,111	47,931,770	60,291,940	47,891,349

The accompanying notes are an integral part of the consolidated condensed financial statements.

Table of Contents**Goodman Global, Inc.****Consolidated Condensed Statements of Shareholders' Equity**

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit) (unaudited, in thousands)	Accumulated Other Com- prehensive Income (Loss)	Total
			(restated, see note 2)		
Balance at December 31, 2005	\$ 480	\$ 108,073	\$ (2,826)	\$ 2,088	\$ 107,815
Net income			18,042		18,042
Foreign currency translation				836	836
Change in fair value of derivatives, net of tax				(3,615)	(3,615)
Comprehensive income					15,263
Issuance of stock	209	352,052			352,261
Accrued stock options		1,671			1,671
Preferred stock dividends			(6,622)		(6,622)
Balance at June 30, 2006	\$ 689	\$ 461,796	\$ 8,594	\$ (691)	\$ 470,388

The accompanying notes are an integral part of the consolidated condensed financial statements.

Table of Contents**Goodman Global, Inc.****Consolidated Condensed Statements of Cash Flows**

	Six Months Ended	
	June 30, 2006	June 30, 2005
	(restated, see note 2)	
	(unaudited, in thousands)	
Operating activities		
Net income	\$ 18,042	\$ (2,832)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Adjustments to goodwill		(1,058)
Depreciation	11,017	8,545
Amortization	4,433	4,800
Deferred tax provision	(897)	(8,152)
Unrealized loss (gain) on derivatives	5,392	(2,000)
Loss (gain) on disposal of assets	87	(267)
Amortization of inventory step-up in basis		39,586
Amortization of deferred financing costs	5,038	2,722
Compensation expense relating to stock options	1,707	
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(61,427)	(94,604)
Inventories	(73,960)	(59,744)
Other assets	(6,357)	1,464
Accounts payable and accrued expenses	15,188	86,036
Net cash used in operating activities	(81,737)	(25,504)
Investing activities		
Purchases of property, plant, and equipment	(21,391)	(10,465)
Other assets and liabilities		31
Proceeds from sale of assets	13	3,567
Net cash used in investing activities	(21,378)	(6,867)
Financing activities		
Repayments of long-term debt	(72,450)	(1,750)
Working capital adjustment		1,330
Proceeds from sale of common stock		1,210
Proceeds from initial public offering	354,491	
Redemption of preferred stock and accrued dividends	(255,234)	