

KENNAMETAL INC
Form 10-Q
May 08, 2014
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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 MARCH 31, 2014
Commission file number 1-5318
KENNAMETAL INC.
(Exact name of registrant as specified in its charter)

Pennsylvania 25-0900168
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

World Headquarters
1600 Technology Way
P.O. Box 231 15650-0231
Latrobe, Pennsylvania
(Address of principal executive offices) (Zip Code)

Website: www.kennametal.com

Registrant's telephone number, including area code: (724) 539-5000

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 (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

Indicate the number of shares outstanding of each of the issuer's classes of capital stock, as of the latest practicable date.

Title of Each Class	Outstanding at April 30, 2014
Capital Stock, par value \$1.25 per share	78,564,524

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FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. You can identify forward-looking statements by the fact they use words such as “should,” “anticipate,” “estimate,” “approximate,” “expect,” “may,” “will,” “project,” “intend,” “plan” and other words of similar meaning and expression in connection with any discussion of future operating or financial performance or events. We have also included forward looking statements in this Quarterly Report on Form 10-Q concerning, among other things, our strategy, goals, plans and projections regarding our financial position, liquidity and capital resources, results of operations, market position, and product development. These statements are based on current estimates that involve inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, our actual results could vary materially from our current expectations. There are a number of factors that could cause our actual results to differ from those indicated in the forward-looking statements. They include: economic recession; availability and cost of the raw materials we use to manufacture our products; our foreign operations and international markets, such as currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability; changes in the regulatory environment in which we operate, including environmental, health and safety regulations; our ability to protect and defend our intellectual property; competition; our ability to retain our management and employees; demands on management resources; potential claims relating to our products; integrating acquisitions and achieving the expected savings and synergies; business divestitures; global or regional catastrophic events; energy costs; commodity prices; labor relations; demand for and market acceptance of new and existing products; and implementation of environmental remediation matters. We provide additional information about many of the specific risks we face in the “Risk Factors” Section of our Annual Report on Form 10-K. We can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KENNAMETAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	March 31, 2014	2013	March 31, 2014	2013
Sales	\$755,242	\$655,360	\$2,064,986	\$1,917,963
Cost of goods sold	516,287	446,865	1,420,823	1,301,673
Gross profit	238,955	208,495	644,163	616,290
Operating expense	152,298	128,328	434,983	394,967
Restructuring charges (Note 8)	2,703	—	5,013	—
Amortization of intangibles	7,124	5,194	18,791	15,501
Operating income	76,830	74,973	185,376	205,822
Interest expense	8,883	7,504	24,001	20,430
Other (income) expense, net	(561) 749	906	502
Income before income taxes	68,508	66,720	160,469	184,890
Provision for income taxes	16,514	12,344	45,750	40,158
Net income	51,994	54,376	114,719	144,732
Less: Net income attributable to noncontrolling interests	1,129	460	1,808	2,285
Net income attributable to Kennametal	\$50,865	\$53,916	\$112,911	\$142,447
PER SHARE DATA ATTRIBUTABLE TO KENNAMETAL SHAREOWNERS				
Basic earnings per share	\$0.65	\$0.68	\$1.44	\$1.79
Diluted earnings per share	\$0.64	\$0.67	\$1.42	\$1.76
Dividends per share	\$0.18	\$0.16	\$0.54	\$0.48
Basic weighted average shares outstanding	78,718	79,294	78,631	79,744
Diluted weighted average shares outstanding	79,744	80,619	79,622	80,912

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

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KENNAMETAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)	Three Months Ended		Nine Months Ended	
	March 31, 2014	2013	March 31, 2014	2013
Net income	\$51,994	\$54,376	\$114,719	\$144,732
Unrealized (loss) gain on derivatives designated and qualified as cash flow hedges, net of income tax benefit (expense) of \$0.0 million, (\$0.1) million, \$0.5 million and \$0.3 million, respectively	(8) 212	(851) (461
Reclassification of unrealized loss on expired derivatives designated and qualified as cash flow hedges, net of income tax benefit of \$0.4 million, \$0.3 million, \$0.9 million and \$0.6 million, respectively	659	556	1,508	934
Unrecognized net pension and other postretirement benefit (loss) gain, net of income tax benefit (expense) of \$0.0 million, (\$0.6) million, \$1.0 million and (\$0.1) million, respectively	(104) 1,918	(2,880) 438
Reclassification of net pension and ot				