

BRUNSWICK CORP
Form 10-Q
November 05, 2009

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 October 3, 2009

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 1-1043

Brunswick Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-0848180
(I.R.S. Employer Identification No.)

1 N. Field Court, Lake Forest, Illinois 60045-4811

(Address of principal executive offices, including zip code)

(847) 735-4700

(Registrant's telephone number, including area code)

(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

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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

The number of shares of Common Stock (\$0.75 par value) of the registrant outstanding as of November 3, 2009, was 88,298,669.

BRUNSWICK CORPORATION
INDEX TO QUARTERLY REPORT ON FORM 10-Q
October 3, 2009

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

BRUNSWICK CORPORATION
Consolidated Statements of Operations
(unaudited)

(in millions, except per share data)	Three Months Ended		Nine Months Ended	
	Oct. 3, 2009	Sept. 27, 2008	Oct. 3, 2009	Sept. 27, 2008
Net sales	\$ 665.8	\$ 1,038.8	\$ 2,118.8	\$ 3,871.0
Cost of sales	590.2	862.3	1,878.0	3,121.5
Selling, general and administrative expense	136.7	177.4	454.5	586.1
Research and development expense	19.5	31.2	64.7	97.1
Goodwill impairment charges	—	374.0	—	377.2
Trade name impairment charges	—	121.1	—	133.9
Restructuring, exit and impairment charges	28.8	39.1	103.9	128.4
Operating loss	(109.4)	(566.3)	(382.3)	(573.2)
Equity earnings (loss)	(3.8)	(1.0)	(11.1)	10.1
Investment sale gain	—	2.1	—	23.0
Other income (expense), net	0.3	(0.3)	(1.3)	1.6
Loss before interest and income taxes	(112.9)	(565.5)	(394.7)	(538.5)
Interest expense	(23.7)	(12.7)	(60.2)	(35.6)
Interest income	0.7	2.5	2.2	5.4
Loss before income taxes	(135.9)	(575.7)	(452.7)	(568.7)
Income tax provision (benefit)	(21.6)	153.4	9.5	153.1
Net loss	\$ (114.3)	\$ (729.1)	\$ (462.2)	\$ (721.8)
Loss per common share:				
Basic	\$ (1.29)	\$ (8.26)	\$ (5.23)	\$ (8.18)
Diluted	\$ (1.29)	\$ (8.26)	\$ (5.23)	\$ (8.18)
Weighted average shares used for computation of:				
Basic loss per common share	88.4	88.3	88.4	88.3
Diluted loss per common share	88.4	88.3	88.4	88.3

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
Condensed Consolidated Balance Sheets

(in millions)	October 3, 2009 (unaudited)	December 31, 2008	September 27, 2008 (unaudited)
Assets			
Current assets			
Cash and cash equivalents, at cost, which			
approximates market	\$ 624.1	\$ 317.5	\$ 342.9
Accounts and notes receivable, less			
allowances of \$60.7, \$41.7 and \$37.9	368.2	444.8	518.3
Inventories			
Finished goods	238.8	457.7	475.9
Work-in-process	182.9	248.2	291.1
Raw materials	81.5	105.8	131.1
Net inventories	503.2	811.7	898.1
Deferred income taxes	13.1	103.2	39.2
Prepaid expenses and other	34.6	59.7	75.2
Current assets	1,543.2	1,736.9	1,873.7
Property			
Land	105.6	107.1	108.7
Buildings and improvements	682.5	683.8	698.1
Equipment	1,104.9	1,156.6	1,193.5
Total land, buildings and improvements and equipment	1,893.0	1,947.5	2,000.3
Accumulated depreciation	(1,193.7)	(1,155.4)	(1,170.9)
Net land, buildings and improvements and equipment	699.3	792.1	829.4
Unamortized product tooling costs	99.1	125.5	140.9
Net property	798.4	917.6	970.3
Other assets			
Goodwill	292.6	290.9	294.8
Other intangibles, net	78.5	86.6	89.9
Investments	57.8	75.4	81.6
Deferred income taxes	—	—	14.8
Other long-term assets	109.9	116.5	140.8
Other assets	538.8	569.4	621.9
Total assets	\$ 2,880.4	\$ 3,223.9	\$ 3,465.9

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
Condensed Consolidated Balance Sheets

(in millions, except share data)	October 3, 2009 (unaudited)	December 31, 2008	September 27, 2008 (unaudited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt, including current maturities			
of long-term debt	\$ 11.5	\$ 3.2	\$ 0.3
Accounts payable	232.6	301.3	346.8
Accrued expenses	628.4	696.7	791.7
Current liabilities	872.5	1,001.2	1,138.8
Long-term liabilities			
Debt	904.8	728.5	726.4
Deferred income taxes	54.4	25.0	—
Postretirement and postemployment benefits	517.6	528.3	194.0
Other	195.3	211.0	228.1
Long-term liabilities	1,672.1	1,492.8	1,148.5
Shareholders' equity			
Common stock; authorized: 200,000,000 shares, \$0.75 par value; issued: 102,538,000 shares			
	76.9	76.9	76.9
Additional paid-in capital	412.6	412.3	413.3
Retained earnings	633.7	1,095.9	1,166.6
Treasury stock, at cost: 14,275,000; 14,793,000 and 14,861,000 shares			
	(413.3)	(422.9)	(424.2)
Accumulated other comprehensive loss, net of tax			
	(374.1)	(432.3)	(54.0)
Shareholders' equity	335.8	729.9	1,178.6
Total liabilities and shareholders' equity	\$ 2,880.4	\$ 3,223.9	\$ 3,465.9

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
Condensed Consolidated Statements of Cash Flows
(unaudited)

(in millions)	Nine Months Ended	
	Oct. 3, 2009	Sept. 27, 2008
Cash flows from operating activities		
Net loss	\$ (462.2)	\$ (721.8)
Depreciation and amortization	119.8	133.1
Pension expense, net of funding	58.7	4.8
Deferred income taxes	9.9	0.1
Provision for doubtful accounts	33.1	18.8
Goodwill impairment charges	-	377.2
Trade name impairment charges	-	133.9
Other long-lived asset impairment charges	18.0	50.0
Changes in certain current assets and current liabilities	314.3	(113.9)
Repurchase of accounts receivable - Note 11	(84.2)	-
Income taxes	90.6	159.9
Other, net	32.1	(21.9)
Net cash provided by operating activities	130.1	20.2
Cash flows from investing activities		
Capital expenditures	(20.2)	(84.8)
Investments	7.5	21.1
Proceeds from investment sale	-	45.5
Proceeds from the sale of property, plant and equipment	11.7	9.6
Other, net	1.9	0.2
Net cash provided by (used for) investing activities	0.9	(8.4)
Cash flows from financing activities		
Net issuances of short-term debt	8.3	-
Initial proceeds from asset-based lending facility - Note 14	81.1	-
Net payments of asset-based lending facility - Note 14	(81.1)	-
Net proceeds from issuance of long-term debt - Note 15	329.9	250.4
Payments of long-term debt including current maturities - Note 15	(162.6)	(250.7)
Net cash provided by (used for) financing activities	175.6	(0.3)

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Net increase in cash and cash equivalents	306.6	11.5
Cash and cash equivalents at beginning of period	317.5	331.4
Cash and cash equivalents at end of period	\$ 624.1	\$ 342.9

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements
(unaudited)

Note 1 – Significant Accounting Policies

Interim Financial Statements. The unaudited interim consolidated financial statements of Brunswick Corporation (Brunswick or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Therefore, certain information and disclosures normally included in financial statements and related notes prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. Certain previously reported amounts have been reclassified to conform to the current period presentation.

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Brunswick's 2008 Annual Report on Form 10-K (the 2008 Form 10-K). These interim results include, in the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position of Brunswick as of October 3, 2009 and September 27, 2008, the results of operations for the three months and nine months ended October 3, 2009, and September 27, 2008, and the cash flows for the nine months ended October 3, 2009, and September 27, 2008. Due to the seasonality of Brunswick's businesses, the interim results are not necessarily indicative of the results that may be expected for the remainder of the year.

The Company maintains its financial records on the basis of a fiscal year ending on December 31, with the fiscal quarters spanning thirteen weeks and ending on the Saturday closest to the end of that thirteen-week period. The first three quarters of fiscal year 2009 ended on April 4, 2009, July 4, 2009, and October 3, 2009, and the first three quarters of fiscal year 2008 ended on March 29, 2008, June 28, 2008, and September 27, 2008.

Recent Accounting Pronouncements. In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), "Business Combinations" (SFAS 141(R)) (codified within the Accounting Standards Codification (ASC) Topic 805). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, the goodwill acquired and any noncontrolling interest in the acquiree. This statement also establishes disclosure requirements to enable the evaluation of the nature and financial effect of the business combination. SFAS 141(R) is effective for fiscal years beginning on or after December 15, 2008. The adoption of this statement did not have a material impact on the Company's consolidated results of operations and financial condition, but will affect future acquisitions.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" (SFAS 160) (codified within ASC Topic 810). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The adoption of this statement did not have a material impact on the Company's consolidated results of operations and financial condition.

In March 2008, the FASB issued SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" (SFAS 161) (codified within ASC Topic 815). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The adoption of this statement resulted in the Company expanding its disclosures relative to its derivative instruments and hedging activity, as

reflected in Note 3 – Financial Instruments.

In December 2008, the FASB issued FASB Staff Position (FSP) FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (FSP FAS 132(R)-1) (codified within ASC Topic 715). FSP FAS 132(R)-1 amends SFAS No. 132 (Revised 2003), “Employers’ Disclosures about Pensions and Other Postretirement Benefits,” to provide guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact that the adoption of FSP FAS 132(R)-1 may have on the Company’s consolidated financial statements.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements
(unaudited)

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities,” (FSP EITF 03-6-1) (codified within ASC Topic 260). FSP EITF 03-6-1 requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years, and requires that all prior period earnings per share data presented be adjusted retrospectively to conform to its provisions. The adoption of this statement did not have a material impact on the Company’s consolidated results of operations and financial condition.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (FSP FAS 115-2 and FAS 124-2) (codified within ASC Topic 320). FSP FAS 115-2 and FAS 124-2 change the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of the impairment to be recorded in earnings. FSP FAS 115-2 and FAS 124-2 are effective for interim and annual periods ending after June 15, 2009. The adoption of these statements did not have a material impact on the Company’s consolidated results of operations and financial condition.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (FSP FAS 107-1 and APB 28-1) (codified within ASC Topic 825). FSP FAS 107-1 and APB 28-1 require fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. FSP FAS 107-1 and APB 28-1 are effective for interim and annual periods ending after June 15, 2009. The Company has included the required disclosures beginning with its second quarter ending on July 4, 2009, as reflected in Note 3 – Financial Instruments.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (SFAS 165) (codified within ASC Topic 855). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Specifically, SFAS 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances unde