

Mueller Water Products, Inc.
Form 10-Q
August 10, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

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

Commission File Number 001-32892

MUELLER WATER PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1200 Abernathy Road N.E.

Suite 1200

Atlanta, GA 30328

(Address of principal executive offices)

(770) 206-4200

20-3547095
(I.R.S. Employer
Identification No.)

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(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 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 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 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

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

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

There were 116,531,939 shares of Series A common stock of the registrant outstanding at July 29, 2009.

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	June 30, 2009	September 30, 2008
	(in millions)	
Assets:		
Cash and cash equivalents	\$ 80.1	\$ 183.9
Receivables, net	211.4	298.2
Inventories	383.1	459.4
Deferred income taxes	44.1	48.2
Other current assets	83.0	60.6
Total current assets	801.7	1,050.3
Property, plant and equipment, net	296.8	356.8
Goodwill		871.5
Identifiable intangible assets, net	674.1	789.8
Other noncurrent assets	29.0	21.8
Total assets	\$ 1,801.6	\$ 3,090.2
Liabilities and stockholders' equity:		
Current portion of long-term debt	\$ 19.3	\$ 9.7
Accounts payable	89.3	156.0
Other current liabilities	89.8	129.0
Total current liabilities	198.4	294.7
Long-term debt	941.9	1,085.8
Deferred income taxes	227.6	295.8
Other noncurrent liabilities	100.3	85.0
Total liabilities	1,468.2	1,761.3
Commitments and contingencies (Note 14)		
Series A: 600,000,000 shares authorized and 116,530,594 shares outstanding at June 30, 2009; 400,000,000 shares authorized and 29,528,763 shares outstanding at September 30, 2008	1.2	0.3
Series B: 200,000,000 shares authorized and 85,844,920 shares outstanding at September 30, 2008		0.9
Additional paid-in capital	1,433.5	1,428.9
Accumulated deficit	(1,067.4)	(81.6)
Accumulated other comprehensive loss	(33.9)	(19.6)
Total stockholders' equity	333.4	1,328.9
Total liabilities and stockholders' equity	\$ 1,801.6	\$ 3,090.2

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	(in millions, except per share amounts)			
Net sales	\$ 363.2	\$ 528.5	\$ 1,053.1	\$ 1,362.4
Cost of sales	305.4	405.1	865.4	1,045.8
Gross profit	57.8	123.4	187.7	316.6
Operating expenses:				
Selling, general and administrative	62.4	69.6	184.7	200.7
Impairment			970.9	
Restructuring	3.9	0.2	45.9	17.9
Total operating expenses	66.3	69.8	1,201.5	218.6
Income (loss) from operations	(8.5)	53.6	(1,013.8)	98.0
Interest expense, net	17.2	17.5	51.1	54.8
Loss on early extinguishment of debt	2.3		2.3	
Gain on repurchase of debt			(1.5)	
Income (loss) before income taxes	(28.0)	36.1	(1,065.7)	43.2
Income tax expense (benefit)	(9.0)	15.8	(79.9)	18.8
Net income (loss)	\$ (19.0)	\$ 20.3	\$ (985.8)	\$ 24.4
Net income (loss) per share:				
Basic	\$ (0.16)	\$ 0.18	\$ (8.52)	\$ 0.21
Diluted	\$ (0.16)	\$ 0.18	\$ (8.52)	\$ 0.21
Weighted average shares outstanding:				
Basic	116.0	115.2	115.7	115.0
Diluted	116.0	115.8	115.7	115.4
Dividends declared per share	\$ 0.0175	\$ 0.0175	\$ 0.0525	\$ 0.0525

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

NINE MONTHS ENDED JUNE 30, 2009

(UNAUDITED)

	Common stock	Additional paid-in capital	Accumu- lated deficit (in millions)	Accumulated other comprehensive loss	Total
Balance at September 30, 2008	\$ 1.2	\$ 1,428.9	\$ (81.6)	\$ (19.6)	\$ 1,328.9
Net loss			(985.8)		(985.8)
Dividends declared		(6.1)			(6.1)
Stock-based compensation		10.1			10.1
Stock issued under stock compensation plans		0.6			0.6
Net unrealized loss on derivatives				(6.5)	(6.5)
Foreign currency translation				(7.5)	(7.5)
Minimum pension liability				(0.3)	(0.3)
Balance at June 30, 2009	\$ 1.2	\$ 1,433.5	\$ (1,067.4)	\$ (33.9)	\$ 333.4

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

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended June 30,	
	2009	2008
	(in millions)	
Operating activities:		
Net income (loss)	\$ (985.8)	\$ 24.4
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	45.4	47.2
Amortization	22.9	22.1
Provision for doubtful receivables	6.1	2.2
Write off of deferred financing fees	2.3	
Impairments and non-cash restructuring	1,009.4	14.8
Stock-based compensation	10.1	9.6
Gain on repurchase of debt	(1.5)	
Deferred income taxes	(63.7)	5.0
Other, net	6.2	1.9
Changes in assets and liabilities:		
Receivables	77.1	(33.2)
Inventories	70.3	2.6
Other assets	(24.8)	10.8
Accounts payable and other liabilities	(105.7)	(1.5)
Net cash provided by operating activities	68.3	105.9
Investing activities:		
Capital expenditures	(22.7)	(60.8)
Acquisition of technology	(8.7)	
Proceeds from sales of property, plant and equipment	4.4	7.4
Net cash used in investing activities	(27.0)	(53.4)
Financing activities:		
Increase (decrease) in outstanding checks	4.4	(0.9)
Debt borrowings	539.4	
Debt paid and repurchased	(672.1)	(3.8)
Payment of deferred financing fees	(9.9)	
Common stock issued	0.6	1.3
Dividends paid	(6.1)	(6.0)
Net cash used in financing activities	(143.7)	(9.4)
Effect of currency exchange rate changes on cash	(1.4)	(0.1)
Net change in cash and cash equivalents	(103.8)	43.0
Cash and cash equivalents at beginning of period	183.9	98.9

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Cash and cash equivalents at end of period	\$ 80.1	\$ 141.9
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