

DONALDSON CO INC
Form 10-Q
June 11, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2018 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 1-7891

DONALDSON COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware 41-0222640

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

1400 West 94th Street

Minneapolis, Minnesota 55431

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (952) 887-3131

Not Applicable

(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 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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 common stock, as of the latest practicable date: Common Stock, \$5 Par Value - 128,977,999 shares as of May 31, 2018.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DONALDSON COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2018	2017	2018	2017
Net sales	\$700.0	\$608.2	\$2,009.5	\$1,711.8
Cost of sales	460.4	396.7	1,326.7	1,118.2
Gross profit	239.6	211.5	682.8	593.6
Operating expenses	138.7	123.0	409.6	359.3
Operating income	100.9	88.5	273.2	234.3
Interest expense	5.4	4.8	15.7	14.4
Other income, net	(3.5)	(0.6)	(2.6)	(10.4)
Earnings before income taxes	99.0	84.3	260.1	230.3
Income taxes	29.1	24.2	182.2	65.7
Net earnings	\$69.9	\$60.1	\$77.9	\$164.6
Weighted average shares – basic	130.1	132.5	130.5	133.0
Weighted average shares – diluted	131.9	134.1	132.5	134.4
Net earnings per share – basic	\$0.54	\$0.45	\$0.60	\$1.24
Net earnings per share – diluted	\$0.53	\$0.45	\$0.59	\$1.23
Cash dividends paid per share	\$0.180	\$0.175	\$0.540	\$0.525

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2018	2017	2018	2017
Net earnings	\$69.9	\$60.1	\$77.9	\$164.6
Other comprehensive (loss) income:				
Foreign currency translation (loss) income	(23.2)	10.7	27.2	(10.1)
Pension liability adjustment, net of deferred taxes of \$(0.6), \$(0.5), \$(1.5) and \$(2.3), respectively	1.6	0.5	2.6	4.2
Gain on hedging derivatives, net of deferred taxes of \$(0.6), \$0.1, \$(1.5) and \$(0.3), respectively	1.1	0.2	2.8	0.9
Comprehensive income	\$49.4	\$71.5	\$110.5	\$159.6

See Notes to Condensed Consolidated Financial Statements.

DONALDSON COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

(Unaudited)

	April 30, July 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$317.3	\$308.4
Accounts receivable, less allowance of \$8.1 and \$8.7, respectively	530.6	497.7
Inventories, net	344.2	293.5
Prepaid expenses and other current assets	57.1	51.4
Total current assets	1,249.2	1,151.0
Property, plant and equipment, net	511.1	484.6
Goodwill	240.0	238.1
Intangible assets, net	37.1	40.6
Deferred income taxes	14.5	30.3
Other long-term assets	43.1	35.1
Total assets	\$2,095.0	\$1,979.7
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	\$4.1	\$23.3
Current maturities of long-term debt	0.4	50.6
Trade accounts payable	201.5	194.0
Other current liabilities	191.7	216.2
Total current liabilities	397.7	484.1
Long-term debt	687.5	