

Edgar Filing: FRANKLIN ELECTRIC CO INC - Form 8-K

FRANKLIN ELECTRIC CO INC
Form 8-K
October 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) OCTOBER 9, 2003

FRANKLIN ELECTRIC CO., INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

INDIANA -----	0-362 -----	35-0827455 -----
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

400 EAST SPRING STREET BLUFFTON, INDIANA -----	46714 -----
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(260) 824-2900

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Edgar Filing: FRANKLIN ELECTRIC CO INC - Form 8-K

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

The following exhibit is furnished pursuant to Item 12: (99) Press Release, dated October 9, 2003 issued by Franklin Electric Co., Inc.

Item 9. Regulation FD Disclosure

The following information is furnished pursuant to Item 9, "Regulation FD Disclosure" and Item 12, "Disclosure of Results of Operations and Financial Condition."

On October 9, 2003, Franklin Electric Co., Inc. issued a press release setting forth its third-quarter 2003 earnings. A copy of the press release is attached hereto as Exhibit (99) and hereby incorporated by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FRANKLIN ELECTRIC CO., INC.

(Registrant)

Date October 13, 2003

By /s/ Gregg C. Sengstack

Gregg C. Sengstack, Senior Vice
President and Chief Financial
Officer and Secretary (Principal
Financial and Accounting Officer)

3

Exhibit Index

EXHIBIT NO. (99) Press release, dated October 9, 2003 issued by Franklin Electric Co., Inc.

ADDITIONAL EXHIBITS

Press Release

For Immediate Release

For Further Information
Refer to: Gregg C. Sengstack
260-824-2900

FRANKLIN ELECTRIC COMPANY
REPORTS INCREASED INCOME AND SALES
FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2003

Bluffton, Indiana--October 9, 2003--Franklin Electric Co., Inc. (NASDAQ:FELE) reported record third quarter 2003 diluted earnings per share of \$0.93, a 9 percent increase from \$0.85 for the third quarter of 2002. Third quarter 2003 net income was a record \$10.5 million, an increase of 9 percent from \$9.6 million for the same period a year ago. For the first three quarters of 2003, diluted earnings per share were a record \$2.12, an increase of 8 percent compared to 2003 earnings per share of \$1.96, and net income was a record \$23.9 million, an increase of 7 percent compared to last year's \$22.3 million.

Sales for the third quarter of 2003 were a record \$99.7 million, an increase of 3 percent compared to sales of \$97.1 million for the same period a year ago. Foreign currencies, particularly the euro, strengthened relative to the U.S. dollar since the third quarter of 2002. The impact of this change in exchange rates was a \$3.7 million increase in the Company's reported third quarter 2003 sales. For the first three quarters of 2003, sales were a record \$263.3 million, an increase of 2 percent compared to 2002 sales of \$258.9 million. The impact of strengthening foreign currencies on the first three quarters of 2003 was an \$11.3 million increase in the Company's reported sales. In addition, the year on year impact of the inclusion of the sales of Intelligent Controls, Inc. ("INCON"), acquired by the Company in July 2002, was an increase in sales of \$4.1 million in the first three quarters of 2003 compared to last year.

Operating earnings in the third quarter of 2003 were \$15.8 million, up slightly compared to \$15.6 million a year ago. For the first three quarters of 2003, operating earnings were \$36.0 million compared to last year's \$35.0 million.

R. Scott Trumbull, Chairman and Chief Executive Officer, stated, "We are pleased that our earnings increased in spite of reduced unit sales in one of our key markets. Last year we had unusually strong sales in the North American Residential water well market as drought conditions prevailed over much of the East coast. This year our residential water sales have fallen back to normal levels. We were pleased with the growth of our motor sales to the agricultural, industrial and municipal markets during the quarter; and we

4

were also encouraged by the continuing improvement of our fueling systems business. During the quarter we completed the construction and moved into our new motor components facilities in the Czech Republic and China; and we initiated the construction phase of the planned expansion of our motor plant in Linares Mexico. Also during the quarter our Board approved the construction of a new motor plant in the Czech Republic. These initiatives - which will require approximately 2 years to complete - will result in moving a significant amount of our production to lower cost regions of the world.

North America water systems products sales were down slightly in the third

Edgar Filing: FRANKLIN ELECTRIC CO INC - Form 8-K

quarter as compared to last year. The decrease during the quarter reflected continued weak demand in the market attributed to extremely wet weather conditions throughout the Eastern half of the country partially offset by strong export sales.

Water System sales in Europa (Europe, the Middle East and North Africa) were up due primarily to sales in the Middle East. South Africa showed higher quarter over quarter sales. Sales in the Asia/Pacific region were higher as well.

Sales of the SubDrive(tm) family of electronic drive systems for water wells continued to grow quarter over quarter. Another SubDrive(tm) product will be launched in the fourth quarter further extending the product line.

Fueling system product sales continued to strengthen in the quarter and margins were up significantly as compared to the first half of the year and the third quarter last year. The integration of INCON remained on schedule.

Third quarter industrial motor products sales were down primarily due to the slowness of the market. During the quarter, the Company started sales of its new V Series(tm) product line manufactured in China. The Company's HydroDuty(tm) (patents pending) product line was made commercially available at the end of the quarter as well."

Franklin Electric, a technical leader in electric motors, drives and controls, is the world's largest manufacturer of submersible water and fueling systems motors, a manufacturer of underground fueling systems hardware and flexible piping systems and a leader in engineered industrial motor products.

#####

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. Any forward looking statements contained herein involve risks and uncertainties, including but not limited to, general economic and currency conditions, various conditions specific to the Company's business and industry, market demand, competitive factors, supply constraints, technology factors, government and regulatory actions, the Company's accounting policies, future trends, and other risks which are detailed in the Company's Securities and Exchange Commission filings. These risks and uncertainties may cause actual results to differ materially from those indicated by the forward-looking statements.

5

FRANKLIN ELECTRIC CO., INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Third Qtr. Ended		Nine Months Ended	
	Sept 27, 2003	Sept 28, 2002	Sept 27, 2003	Sept 28, 2002
	----	----	----	----
Net sales	\$99,685	\$97,125	\$263,303	\$258,876
Cost of sales	68,917	67,572	183,780	184,872

Edgar Filing: FRANKLIN ELECTRIC CO INC - Form 8-K

Gross Profit	30,768	29,553	79,523	74,004
Selling and administrative expenses	14,933	13,957	43,567	39,046
Operating income	15,835	15,596	35,956	34,958
Interest expense	(313)	(367)	(975)	(1,026)
Other income	14	61	248	268
Foreign exchange gain /(loss)	(278)	(327)	404	777
Income before income taxes	15,258	14,963	35,633	34,977
Income taxes	4,745	5,335	11,724	12,661
Net income	\$10,513	\$ 9,628	\$ 23,909	\$ 22,316
Net income per share:				
Basic	\$ 0.97	\$ 0.89	\$ 2.22	\$ 2.07
Diluted	\$ 0.93	\$ 0.85	\$ 2.12	\$ 1.96
Weighted average shares and equivalent shares outstanding:				
Basic	10,813	10,824	10,783	10,781
Diluted	11,357	11,326	11,286	11,388

6

FRANKLIN ELECTRIC CO., INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)	Sept. 27, 2003	Dec. 28, 2002
ASSETS:		
Cash and equivalents	\$ 18,064	\$ 20,133
Receivables	34,302	31,711
Inventories	53,233	48,268
Other current assets	13,262	12,897
Total current assets	118,861	113,009
Property, plant and equipment, net	77,740	76,033
Goodwill and other assets	69,975	69,541
Total Assets	\$266,576	\$258,583

Edgar Filing: FRANKLIN ELECTRIC CO INC - Form 8-K

	=====	=====
LIABILITIES AND SHAREOWNERS' EQUITY:		
Current maturities of long-term debt and short-term borrowing	\$ 1,477	\$ 1,467
Accounts payable and accrued liabilities	50,689	48,780
	-----	-----
Total current liabilities	52,166	50,247
Long-term debt	15,923	25,946
Employee benefit plan obligations	20,868	23,988
Other long-term liabilities	5,386	5,264
Shareowners' equity	172,233	153,138
	-----	-----
Total liabilities and shareowners' equity	\$266,576	\$258,583
	=====	=====

7

FRANKLIN ELECTRIC CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended	
	Sept 27, 2003	Sept 28, 2002
	----	----
Cash flows from operating activities:		
Net income	\$23,909	\$22,316
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	10,329	9,848
Loss on disposals of plant and equipment	436	2
Changes in assets and liabilities:		
Receivables	(1,083)	1
Inventories	(2,882)	3,504
Accounts payable and other accrued expenses	1,992	1,096
Employee benefit plan obligations	(3,245)	885
Other, net	(915)	(1,965)
	-----	-----
Net cash flows from operating activities	28,541	35,687

Edgar Filing: FRANKLIN ELECTRIC CO INC - Form 8-K

Cash flows from investing activities:		
Additions to plant and equipment	(8,925)	(9,016)
Proceeds from sale of plant and equipment	243	19
Additions to deferred assets	(433)	(14,232)
Cash paid for acquisitions, net of cash acquired	-	(30,344)
Proceeds from maturities of marketable securities	-	2,999
	-----	-----
Net cash flows from investing activities	(9,115)	(50,574)
	-----	-----
Cash flows from financing activities:		
Borrowing on long-term debt	6,648	8,350
Repayment of long-term debt	(18,407)	(208)
Borrowing on line of credit and short-term borrowings	11,000	3,000
Repayment of line of credit and short-term borrowings	(11,024)	(3,013)
Proceeds from issuance of common stock	3,282	1,731
Purchases of common stock	(9,782)	(2,253)
Reduction of loan to ESOP Trust	233	232
Dividends paid	(4,420)	(4,098)
	-----	-----
Net cash flows from financing activities	(22,470)	3,741
	-----	-----
Effect of exchange rate changes on cash	975	935
	-----	-----
Net change in cash and equivalents	(2,069)	(10,211)
Cash and equivalents at beginning of period	20,133	20,750
	-----	-----
Cash and equivalents at end of period	\$18,064	\$10,539
	=====	=====