CARLISLE COMPANIES INC
Form 10-Q
August 04, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

OR

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

Commission file number 1-9278

CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**31-1168055** (I.R.S. Employer Identification No.)
13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina 28277 (Address of principal executive office, including zip code)	**(704) 501-1100** (Telephone Number)

Indicate by check mark whether 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 x No o

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 o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Shares of common stock outstanding at August 1, 2009: 61,249,270

Part . Financial Information

Item 1.Financial Statements

Carlisle Companies Incorporated

Consolidated Statements of Earnings

For the Three and Six Months ended June 30, 2009 and 2008

(In millions, except share and per share amounts)

(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008*	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008*
Net sales	**$ 618.5**	$ 863.0	**$ 1,129.6**	$ 1,515.4
Cost and expenses:				
Cost of goods sold	**477.8**	688.9	**899.9**	1,217.6
Selling and administrative expenses	**72.8**	80.9	**140.5**	155.8
Research and development expenses	**3.2**	3.3	**6.7**	6.6
Gain related to fire settlement	**(24.5)**		**(27.0)**	
Other operating expense	**5.2**		**8.1**	
Operating income	**84.0**	89.9	**101.4**	135.4
Other non-operating expense (income), net	**1.5**	0.3	**0.8**	(0.8)
Interest expense, net	**2.3**	5.1	**5.0**	9.2
Income before income taxes	**80.2**	84.5	**95.6**	127.0
Income tax expense	**24.5**	27.6	**29.9**	41.9
Income from continuing operations, net of tax	**55.7**	56.9	**65.7**	85.1
Discontinued operations				
Income (loss) from discontinued operations	**1.1**	(0.6)	**(5.5)**	(127.8)
Income tax expense (benefit)	**1.3**	2.0	**(1.9)**	(34.4)
Loss from discontinued operations, net of tax	**(0.2)**	(2.6)	**(3.6)**	(93.4)
Net income (loss)	**$ 55.5**	$ 54.3	**$ 62.1**	$ (8.3)
Earnings (loss) per share - basic				
Income from continuing operations, net of tax	**$ 0.91**	$ 0.93	**$ 1.07**	$ 1.39
Loss from discontinued operations, net of tax		(0.04)	**(0.06)**	(1.53)
Earnings per share - basic	**$ 0.91**	$ 0.89	**$ 1.01**	$ (0.14)
Earnings (loss) per share - diluted				
Income from continuing operations, net of tax	**$ 0.90**	$ 0.93	**$ 1.06**	$ 1.39
Loss from discontinued operations, net of tax		(0.05)	**(0.05)**	(1.53)
Earnings per share - diluted	**$ 0.90**	$ 0.88	**$ 1.01**	$ (0.14)

Weighted average common shares outstanding (in thousands)								
Basic		**60,584**		60,506		**60,576**		60,550
Effect of dilutive stock options		**342**		340		**440**		348
Diluted		**60,926**		60,846		**61,016**		60,898
Dividends declared and paid per share	**$**	**0.155**	$	0.145	**$**	**0.310**	$	0.290

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* *For the three and six months ended June 30, 2008 certain revisions have been made regarding FSP 03-6-1. See Notes 2 and 17 to Unaudited Consolidated Financial Statements.*

See accompanying notes to Unaudited Consolidated Financial Statements

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Carlisle Companies Incorporated

Consolidated Balance Sheets

June 30, 2009 and December 31, 2008

(In millions, except share and per share amounts)

	June 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 63.6**	$ 42.7
Receivables, less allowance of $11.3 in 2009 and $10.7 in 2008	**347.8**	317.0
Inventories	**315.8**	424.2
Deferred income taxes	**39.4**	35.2
Prepaid expenses and other current assets	**19.9**	58.9
Current assets held for sale	**56.6**	90.1
Total current assets	**843.1**	968.1
Property, plant and equipment, net of accumulated depreciation of $494.7 in 2009 and $494.2 in 2008	**444.4**	470.7
Other assets:		
Goodwill, net	**436.0**	435.8
Other intangible assets, net	**142.8**	146.3
Investments and advances to affiliates	**4.3**	4.6
Other long-term assets	**5.1**	2.5
Non-current assets held for sale	**45.9**	47.9
Total other assets	**634.1**	637.1
TOTAL ASSETS	**$ 1,921.6**	$ 2,075.9
Liabilities and Shareholders Equity		
Current liabilities:		
Short-term debt, including current maturities	**$ 25.0**	$ 127.0
Accounts payable	**143.5**	123.6
Accrued expenses	**137.6**	148.3
Deferred revenue	**14.8**	14.7
Current liabilities associated with assets held for sale	**17.6**	28.9
Total current liabilities	**338.5**	442.5
Long-term liabilities:		
Long-term debt	**156.7**	273.3
Deferred revenue	**108.7**	106.2
Other long-term liabilities	**168.6**	159.8
Total long-term liabilities	**434.0**	539.3
Shareholders equity:		
Preferred stock, $1 par value per share. Authorized and unissued 5,000,000 shares		
Common stock, $1 par value per share. Authorized 100,000,000 shares; 78,661,248 shares issued; 60,606,425 outstanding in 2009 and 60,532,539 outstanding in 2008	**78.7**	78.7
Additional paid-in capital	**66.6**	62.1
Cost of shares of treasury - 17,410,478 shares in 2009 and 17,654,759 shares in 2008	**(222.9)**	(225.5)

Accumulated other comprehensive loss		**(34.9)**		(39.5)
Retained earnings		**1,261.6**		1,218.3
Total shareholders equity		**1,149.1**		1,094.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$**	**1,921.6**	$	2,075.9

See accompanying notes to Unaudited Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2009 and 2008

(In millions)

(Unaudited)

	June 30, 2009	June 30, 2008
Operating activities		
Net income (loss)	**$ 62.1**	$ (8.3)
Reconciliation of net income (loss) to cash flows from operating activities:		
Depreciation	**29.0**	31.3
Amortization	**5.3**	4.1
Non-cash compensation	**7.7**	6.5
Earnings in equity investments	**(0.2)**	(0.3)
(Gain) loss on sale of property and equipment, net	**(0.5)**	0.1
Loss on writedown of assets	**10.5**	124.3
Deferred taxes	**3.6**	(34.7)
Tax benefits from stock-based compensation	**0.3**	(0.1)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Current and long-term receivables	**6.5**	(119.4)
Inventories	**129.5**	12.2
Accounts payable and accrued expenses	**(13.7)**	44.1
Income taxes	**24.8**	6.6
Long-term liabilities	**4.8**	20.6
Other operating activities	**(0.7)**	(0.8)
Net cash provided by operating activities	**269.0**	86.2
Investing activities		
Capital expenditures	**(20.1)**	(40.7)
Acquisitions, net of cash		(294.8)
Proceeds from sale of property and equipment	**2.6**	0.3
Other investing activities	**0.5**	0.3
Net cash used in investing activities	**(17.0)**	(334.9)
Financing activities		
Net change in short-term borrowings and revolving credit lines	**(211.9)**	401.9
Reductions of long-term debt		(100.0)
Dividends	**(19.0)**	(17.7)
Treasury share repurchases		(4.8)
Treasury shares and stock options, net	**(0.2)**	(1.4)
Tax benefits from stock-based compensation	**(0.3)**	0.1
Net cash (used in) provided by financing activities	**(231.4)**	278.1
Effect of exchange rate changes on cash	**0.3**	0.4
Change in cash and cash equivalents	**20.9**	29.8
Cash and cash equivalents		
Beginning of period	**42.7**	88.4
End of period	**$ 63.6**	$ 118.2

See accompanying notes to Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements

Three and Six Months Ended June 30, 2009 and 2008

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Carlisle Companies Incorporated and its wholly-owned subsidiaries (together, the Company or Carlisle). Intercompany transactions and balances have been eliminated on consolidation. The unaudited consolidated financial statements have been prepared in accordance with Article 10-01 of Regulation S-X of the Securities and Exchange Commission and, as such, do not include all information required by generally accepted accounting principles for annual financial statements. However, in the opinion of the Company, these financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial statements for the interim periods presented herein. Results of operations for the three and six months ended June 30, 2009, are not necessarily indicative of the operating results for the full year.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes included in the Company s 2008 Form 10-K.

(2) Reclassifications and Restatements

Certain reclassifications have been made to the information for the three and six months ending June 30, 2008 to conform to the current year s presentation.

Earnings per share for the three and six months ended June 30, 2008 have been revised retroactively, as required, to reflect the implementation of FASB Staff Position 03-6-1. See Notes 3 and 17 for additional information.

(3) New Accounting Pronouncements

New accounting standards adopted

In January 2008, the Company adopted SFAS No. 157, Fair Value Measurements (SFAS 157) for financial assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies only for fair value measurements that are already required or permitted by other accounting standards (except for measurements of share-based payments) and is intended to increase the consistency of those measurements. Accordingly, SFAS 157 does not require any new fair value measurements. Adoption of this standard had no material effect on the Company s statement of earnings or financial position. In February 2008, FASB Staff Position (FSP) No. FAS 157-2 was issued, which deferred the effective date of SFAS 157 by one year for certain types of nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008.

The Company has adopted the provisions of this standard as it relates to the fair value measurement of non-financial assets and liabilities effective January 1, 2009. The adoption did not have a material impact on the Company s consolidated financial statements. See Note 6 for additional information.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, and SFAS No. 160, Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51. These new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS Nos. 141(R) and 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. The Company has adopted the provisions of these statements prospectively, as required, beginning January 1, 2009. There were no business combinations or acquisitions of noncontrolling interests in the first six months of 2009 and thus the adoption did not impact the Company s consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161 (SFAS 161), *Disclosures about Derivative Instruments and Hedging Activities*. SFAS 161 applies to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133 and related hedged items accounted for under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS 161 requires entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. At June 30, 2009, the Company had no active derivative instruments, thus the adoption of this standard had no effect on its consolidated financial statements.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1 (FSP EITF 03-6-1), Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. FSP EITF 03-6-1 clarifies that unvested share-based payment awards with a right to receive nonforfeitable dividends are participating securities for purposes of applying the two-class method of computing earnings per share. The Company adopted the provisions of this FSP effective January 1, 2009. The adoption did not have a material effect on the Company s consolidated financial statements. See Note 17 for more information regarding the Company s adoption of this standard.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165). The Company adopted SFAS 165 which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, SFAS 165 requires an entity to disclose the date through which subsequent events have been evaluated. The Company has evaluated subsequent events through the date these financial statements were filed with the SEC.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). The FASB Accounting Standards Codification (ASC) will become the source of authoritative generally accepted accounting principles in the United States of America (U.S. GAAP). The ASC changes the referencing of accounting standards and is effective for interim or annual financial periods ending after September 15, 2009. The ASC is not intended to change or alter existing U.S. GAAP; however the way authoritative literature is referred to will change effective in the third quarter of 2009.

(4) Fire Gain

On November 16, 2008, a fire occurred at the tire and wheel plant in Bowdon, GA, and as a result the building and the majority of the machinery, equipment, records and other assets were destroyed. In order to service customers, partial operations were initiated at a facility in Heflin, AL, and some production was transferred to other tire and wheel plants or outsourced to third parties.

In the fourth quarter of 2008, while the Company was negotiating its claim, a pretax loss was recorded representing the deductible of $0.1 million. The net result of fire-related transactions in the first quarter of 2009 was a $2.5 million pretax gain which was recorded as an offset to Other operating expense. This gain included a $2.6 million pretax gain on the settlement of the inventory claim which was the difference between $8.9 million, representing the loss on inventory recorded in the fourth quarter of 2008 for which a receivable was recorded at December 31, 2008, and $11.5 million of cash proceeds received from the insurance carriers to settle the inventory claim in the first quarter of 2009. Total payments of $13.5 million were received from the insurance carriers in the first quarter of 2009.

The net result of fire-related transactions in the second quarter of 2009 was a $24.5 million pretax gain on the settlement of all other claims and that amount was reported as Gain related to fire settlement. This gain was the difference between the $41.0 million of cash proceeds received from the insurance carriers in settlement of all outstanding claims and the $11.2 million insurance claims receivable balance at March 31, 2009 included in Prepaid expenses and other current assets for a portion of the expected insurance reimbursements plus $5.3 million, representing fire-related cost in the second quarter of 2009.

During the second quarter of 2009 the $2.5 million pretax gain recorded in the first quarter of 2009 was reclassified from an offset to Other operating expense to Gain related to fire settlement. The year-to-date pretax gain through June 30, 2009, was $27.0 million, including the above mentioned $2.5 million gain, and this year-to-date amount was recorded as Gain related to fire settlement.

From November 16, 2008 through June 30, 2009 cash proceeds of $54.5 million were received from the insurance carriers. Losses and cost incurred from November 16, 2008 through June 30, 2009 of $27.6 million included $8.9 million of inventory; $5.7 million of building, machinery, equipment and other assets; and $13.0 million of fire-related cost. The $26.9 million pretax gain from November 16, 2008 through June 30, 2009 was the difference between cash proceeds of $54.5 million and the losses of $27.6 million. On a quarterly basis, a loss of $0.1 million was recorded in the fourth quarter of 2008, a gain of $2.5 million was recorded in the first quarter of 2009, and a gain of $24.5 million was recorded in the second quarter of 2009.

A minimal amount of fire-related cost is expected after June 30, 2009. Since all insurance claims due to this fire were settled with the carriers, there was no insurance claims receivable at June 30, 2009 and no additional insurance proceeds are anticipated.

(5) Borrowings

During the second quarter of 2009, the Company terminated its existing $150.0 million accounts receivable securitization facility. The facility was terminated as a result of the Company s strong operating cash flows and its available credit facilities and lines of credit that should provide adequate liquidity and capital resources to fund ongoing operations, expand existing lines of business and make strategic acquisitions.

(6) Fair Value Measurements

As described in Note 3, New Accounting Pronouncements , the Company adopted SFAS 157 effective January 1, 2008 and adopted the provisions applicable to FASB Staff Position (FSP) No. FAS 157-2 effective January 1, 2009. SFAS 157 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also describes three levels of inputs that may be used to measure fair value:

Level 1 quoted prices in active markets for identical assets and liabilities.

Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 unobservable inputs in which there is little or no market data available, which requires the reporting entity to develop its own assumptions.

The fair value of the Company s assets and liabilities measured at fair value on a recurring basis were as follows:

(In millions)	**Balance at June 30, 2009**	**Quoted Prices In Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**
Cash and cash equivalents	$ 63.6	$ 63.6	$

For the three month period ended June 30, 2009, the Company measured certain non-financial assets at fair value on a nonrecurring basis pursuant to the requirements of SFAS 144. These measurements were based on management s decision to consolidate certain manufacturing facilities in the tire and wheel and heavy-haul trailer businesses of the Transportation Products segment as well as certain aerospace facilities in the interconnect technologies business of the Applied Technologies segment. Refer to Note 19 for further information regarding exit and disposal activity.

Within the heavy-haul trailer business of the Transportation Products segment, Property, plant and equipment relating to the expected closure of the facility in Brookville, PA with a carrying amount of $5.6 million were written down to a fair value of $1.8 million, resulting in an impairment charge of $3.8 million, which was included in Other operating expense for the three months ended June 30, 2009. A fair value measurement of $1.6 million for land, building and leasehold improvements, which resulted in an impairment charge of $3.3 million, was based on Level 2 inputs. A fair value measurement of $0.2 million for machinery and equipment, which resulted in a $0.5 million impairment charge, was based on Level 3 inputs reflecting management s determination of the net realizable value of the assets.

Within the tire and wheel business of the Transportation Products segment, Property, plant and equipment relating to facilities in Pennsylvania, Alabama and China with a carrying amount of $2.8 million were written down to a fair value of zero, resulting in an impairment charge of $2.8 million, which was included in Other operating expense for the three months ended June 30, 2009. This fair value measurement of the impaired assets was based on Level 3 inputs. The Level 3 inputs reflected management s determination that impaired leasehold improvement assets could not be transferred upon consolidation of operations into the new facility in Jackson, TN. In addition, it was management s determination that machinery and equipment subject to the impairment charge was estimated to have zero net realizable value based on current utility.

In the interconnect technologies business of the Applied Technologies segment, Property consisting of leasehold improvements with a carrying amount of $0.3 million was written down to a fair value of zero, resulting in an impairment charge of $0.3 million which was included in Other operating expense for the

three months ended June 30, 2009. The fair value measurement was based upon Level 3 inputs which reflected management s determination that the leasehold improvements in the Company s Kent, WA facility would not have any transferrable value upon consolidation of operating activities into another Company facility in Tukwila, WA.

(7) Employee and Non-Employee Stock Options & Incentive Plans

Stock Options

The Company uses the fair value method of accounting for employee stock-based compensation. Effective 2008, stock option awards vest one-third on the first anniversary of grant, one-third on the second anniversary of grant and the remaining one-third on the third anniversary of grant. Prior to 2008, stock option awards generally vest ratably within a period of two years, with the first one-third vesting immediately upon grant. Compensation expense related to stock options of $2.5 million and $1.4 million was recognized for the three months ended June 30, 2009 and 2008, respectively, and $3.9 million and $2.8 million for the six months ended June 30, 2009 and 2008, respectively. The 2009 compensation expense amounts include additional expense related to the modification of vesting and termination provisions of certain stock option awards. The following table summarizes the stock option activity for the six months ended June 30, 2009.

	Weighted Average