

BARNES GROUP INC
Form 10-Q
October 29, 2010
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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 September 30, 2010

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 1-4801

BARNES GROUP INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	06-0247840 (I.R.S. Employer Identification No.)
123 Main Street, Bristol, Connecticut (Address of Principal Executive Offices)	06010 (Zip Code)
(860) 583-7070	

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 (§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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

The registrant had outstanding 54,710,748 shares of common stock as of October 26, 2010.

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Barnes Group Inc.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****BARNES GROUP INC.****CONSOLIDATED STATEMENTS OF INCOME****(Dollars in thousands, except per share data)****(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net sales	\$ 289,901	\$ 260,339	\$ 849,930	\$ 777,690
Cost of sales	184,989	170,491	540,833	503,369
Selling and administrative expenses	80,079	75,291	240,915	225,161
	265,068	245,782	781,748	728,530
Operating income	24,833	14,557	68,182	49,160
Other income	56	1,545	290	4,205
Interest expense	5,177	5,293	15,273	17,234
Other expenses	829	293	2,451	1,558
Income before income taxes	18,883	10,516	50,748	34,573
Income taxes (benefit)	3,779	(373)	8,992	1,778
Net income	\$ 15,104	\$ 10,889	\$ 41,756	\$ 32,795
Per common share:				
Net income:				
Basic	\$.27	\$.20	\$.75	\$.61
Diluted	.27	.20	.75	.61
Dividends	.08	.08	.24	.40
Weighted average common shares outstanding:				
Basic	55,346,517	54,257,791	55,428,865	53,462,672
Diluted	55,839,970	54,563,199	56,048,170	53,710,453

See accompanying notes.

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BARNES GROUP INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 23,724	\$ 17,427
Accounts receivable, less allowances (2010 \$4,949; 2009 \$5,915)	189,693	160,269
Inventories	211,902	190,792
Deferred income taxes	9,040	23,630
Prepaid expenses and other current assets	14,577	10,562
Total current assets	448,936	402,680
Deferred income taxes	40,344	30,650
Property, plant and equipment	635,788	645,318
Less accumulated depreciation	(416,033)	(420,355)
	219,755	224,963
Goodwill	381,421	373,564
Other intangible assets, net	294,193	303,689
Other assets	18,964	16,444
Total assets	\$ 1,403,613	\$ 1,351,990
Liabilities and Stockholders' Equity		
Current liabilities		
Notes and overdrafts payable	\$ 8,012	\$ 4,595
Accounts payable	97,014	85,588
Accrued liabilities	80,189	73,538
Long-term debt - current	107,322	25,567
Total current liabilities	292,537	189,288
Long-term debt	241,679	321,306
Accrued retirement benefits	106,100	118,693
Other liabilities	36,894	37,990
Commitments and contingencies (Note 13)		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Authorized: 150,000,000 shares		
Issued: at par value (2010 56,358,931 shares; 2009 55,974,051 shares)	564	560
Additional paid-in capital	279,111	270,784
Treasury stock, at cost (2010 1,682,427 shares; 2009 1,181,579 shares)	(25,139)	(15,839)

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Retained earnings	507,139	478,704
Accumulated other comprehensive income (loss)	(35,272)	(49,496)
Total stockholders' equity	726,403	684,713
Total liabilities and stockholders' equity	\$ 1,403,613	\$ 1,351,990

See accompanying notes.

Table of Contents**BARNES GROUP INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Dollars in thousands)****(Unaudited)**

	Nine months ended September 30,	
	2010	2009
Operating activities:		
Net income	\$ 41,756	\$ 32,795
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	38,988	38,558
Amortization of convertible debt discount	4,251	4,558
Loss on disposition of property, plant and equipment	253	813
Gain on repurchases of convertible notes		(3,773)
Stock compensation expense	5,619	3,279
Withholding taxes paid on stock issuances	(287)	(610)
Changes in assets and liabilities:		
Accounts receivable	(27,671)	14,694
Inventories	(19,492)	50,757
Prepaid expenses and other current assets	(5,420)	4,378
Accounts payable	11,359	4,615
Accrued liabilities	5,906	(3,054)
Deferred income taxes	4,469	(2,741)
Long-term retirement benefits	(12,155)	(16,503)
Other	(579)	(2,030)
Net cash provided by operating activities	46,997	125,736
Investing activities:		
Proceeds from disposition of property, plant and equipment	1,384	981
Capital expenditures	(22,463)	(24,847)
Other	(2,393)	(1,737)
Net cash used by investing activities	(23,472)	(25,603)
Financing activities:		
Net change in other borrowings	3,384	(4,861)
Payments on long-term debt	(243,658)	(181,242)
Proceeds from the issuance of long-term debt	241,667	94,900
Proceeds from the issuance of common stock	3,871	5,621
Common stock repurchases	(9,014)	(314)
Dividends paid	(13,159)	(21,220)
Other	(160)	(797)
Net cash used by financing activities	(17,069)	(107,913)
Effect of exchange rate changes on cash flows	(159)	1,043
Increase (decrease) in cash and cash equivalents	6,297	(6,737)
Cash and cash equivalents at beginning of period	17,427	20,958

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Cash and cash equivalents at end of period	\$	23,724	\$	14,221
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Supplemental disclosure of cash flow information:

Non-cash financing activities in 2009 include a stock contribution to the Company's pension plans of 737,463 treasury shares (\$9,816) and the repurchase of certain convertible notes using 1,154,265