

CASCADE CORP
Form 10-Q
December 07, 2011
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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 October 31, 2011

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 1-12557

CASCADE CORPORATION

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(Exact name of registrant as specified in its charter)

Oregon (State or other jurisdiction of incorporation or organization)	93-0136592 (I.R.S. Employer Identification No.)
2201 N.E. 201st Ave. Fairview, Oregon (Address of principal executive office)	97024-9718 (Zip Code)
Registrant's telephone number, including area code: (503) 669-6300	

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 type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	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 Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock as of November 14, 2011 was 11,077,553.

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Quarter Ended October 31, 2011

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Forward-Looking Statements

This Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2), contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements that do not constitute statements of historical fact are deemed forward-looking statements, including any projections or statements of expectations of market conditions, revenue, gross profit, expenses, earnings or losses from operations or other financial items; any discussion of expectations regarding future profitability of operations in particular regions or product lines; any statements of plans, strategies, and objectives of management for future operations; any statements regarding future economic conditions or performance; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties, and assumptions that could cause material differences from expectations include, but are not limited to:

General business and economic conditions globally and in particular in the Americas, Europe, the Asia Pacific region and China;

Competitive factors and the cyclical nature of the materials handling industry and lift truck orders;

Risks and complexities associated with international operations, including foreign currency fluctuations and international tax considerations;

Cost and availability of raw materials;

Environmental matters;

Assumptions relating to pension and other postretirement costs; and

Impact of acquisitions.

We undertake no obligation to publicly revise or update forward-looking statements to reflect events or circumstances that arise after the date of this report. See Risk Factors under Item 1A in our Annual Report on Form 10-K for the year ended January 31, 2011, for additional information on risk factors with the potential to impact our financial results and business operations.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CASCADE CORPORATION****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited in thousands, except per share amounts)**

	Three Months Ended		Nine Months Ended	
	October 31		October 31	
	2011	2010	2011	2010
Net sales	\$ 138,024	\$ 107,377	\$ 409,843	\$ 299,510
Cost of goods sold	92,841	73,585	276,976	208,484
Gross profit	45,183	33,792	132,867	91,026
Selling and administrative expenses	21,784	18,336	63,984	55,667
Operating income	23,399	15,456	68,883	35,359
Interest expense, net	20	445	477	1,514
Foreign currency loss, net	378	232	1,037	752
Income before provision for income taxes	23,001	14,779	67,369	33,093
Provision for income taxes	3,426	5,995	17,519	15,411
Net income	\$ 19,575	\$ 8,784	\$ 49,850	\$ 17,682
Basic earnings per share	\$ 1.78	\$.81	\$ 4.54	\$ 1.63
Diluted earnings per share	\$ 1.74	\$.79	\$ 4.42	\$ 1.60
Basic weighted average shares outstanding	11,016	10,906	10,979	10,876
Diluted weighted average shares outstanding	11,256	11,092	11,280	11,083
Cash dividends per share	\$.25	\$.10	\$.65	\$.17

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

Table of Contents**CASCADE CORPORATION****CONSOLIDATED BALANCE SHEETS****(Unaudited in thousands, except per share amounts)**

	October 31 2011	January 31 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,795	\$ 25,037
Accounts receivable, less allowance for doubtful accounts of \$1,253 and \$1,196	85,373	66,497
Inventories	85,020	67,041
Deferred income taxes	4,154	5,001
Assets available for sale	8,022	8,610
Prepaid expenses and other	18,112	11,170
Total current assets	220,476	183,356
Property, plant and equipment, net	69,926	66,978
Goodwill	88,891	88,708
Deferred income taxes	19,029	16,606
Other assets	3,761	3,531
Total assets	\$ 402,083	\$ 359,179
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	\$ 632	\$ 548
Current portion of long-term debt	576	548
Accounts payable	31,110	23,905
Accrued payroll and payroll taxes	9,062	9,299
Accrued incentive pay	2,917	2,868
Other accrued expenses	15,714	11,612
Total current liabilities	60,011	48,232
Long-term debt, net of current portion	21,522	41,789
Accrued environmental expenses	2,590	3,198
Deferred income taxes	4,457	4,452
Employee benefit obligations	8,140	7,864
Other liabilities	8,175	5,088
Total liabilities	104,895	110,623
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, \$.50 par value, 40,000 authorized shares; 11,078 and 10,972 shares issued and outstanding	5,539	5,486
Additional paid-in capital	12,187	9,254
Retained earnings	240,854	198,194
Accumulated other comprehensive income	38,608	35,622
Total shareholders' equity	297,188	248,556
Total liabilities and shareholders' equity	\$ 402,083	\$ 359,179

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

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CASCADE CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited in thousands, except per share amounts)

	Common Stock		Additional	Retained	Accumulated	Total	Year-To-Date
	Shares	Amount	Paid-In	Earnings	Comprehensive	Shareholders	Comprehensive
			Capital		Income	Equity	Income
Balance at January 31, 2011	10,972	\$ 5,486	\$ 9,254	\$ 198,194	\$ 35,622	\$ 248,556	
Net income				49,850		49,850	\$ 49,850
Dividends (\$.65 per share)				(7,190)		(7,190)	
Common stock issued	106	53	756			809	
Share-based compensation			1,916			1,916	
Tax effect on stock-based compensation			261			261	
Currency translation adjustment					2,986	2,986	2,986
Balance at October 31, 2011	11,078	\$ 5,539	\$ 12,187	\$ 240,854	\$ 38,608	\$ 297,188	\$ 52,836

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

Table of Contents**CASCADE CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited in thousands)

	Three Months Ended October 31		Nine Months Ended October 31	
	2011	2010	2011	2010
Cash flows from operating activities:				
Net income	\$ 19,575	\$ 8,784	\$ 49,850	\$ 17,682
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,622	2,570	7,508	7,627
Share-based compensation	571	499	1,916	2,138
Deferred income taxes	(1,635)	856	(1,445)	1,774
Tax effect on share-based compensation	439	393	(261)	393
Gain on disposition of assets, net	(10)	(26)	(146)	(20)
Changes in operating assets and liabilities:				
Accounts receivable	(555)	(7,395)	(17,794)	(20,995)
Inventories	(4,622)	(1,300)	(16,903)	(1,577)
Prepaid expenses and other	(2,148)	996	(6,719)	(2,735)
Accounts payable and accrued expenses	906	(450)	8,679	1,887
Income taxes payable and receivable	3,761	3,278	2,088	5,772
Other assets and liabilities	804	419	2,172	49
Net cash provided by operating activities	19,708	8,624	28,945	11,995
Cash flows from investing activities:				
Capital expenditures	(3,482)	(1,810)	(9,190)	(3,715)
Proceeds from disposition of assets	122	1,065	1,174	1,182
Net cash used in investing activities	(3,360)	(745)	(8,016)	(2,533)
Cash flows from financing activities:				
Cash dividends paid	(2,769)	(1,097)	(7,190)	(1,863)
Tax effect on share-based compensation	(439)	(393)	261	(393)
Payments on long-term debt	(37,146)	(21,635)	(77,423)	(54,634)
Proceeds from long-term debt	10,500	22,250	57,000	53,750
Notes payable to banks, net	635	(1,360)	635	(2,266)
Common stock issued under share-based compensation plans			809	14
Net cash used in financing activities	(29,219)	(2,235)	(25,908)	(5,392)
Effect of exchange rate changes	523	(1,810)	(263)	1,926
Change in cash and cash equivalents	(12,348)	3,834	(5,242)	5,996
Cash and cash equivalents at beginning of period	32,143	22,363	25,037	20,201
Cash and cash equivalents at end of period	\$ 19,795	\$ 26,197	\$ 19,795	\$ 26,197

Supplemental disclosure of cash flow information:

See Note 9 to the consolidated financial statements

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

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CASCADE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Description of Business

Cascade Corporation is an international company engaged in the manufacture of materials handling products that are widely used on industrial fork lift trucks and, to a lesser extent, construction, mining and agricultural vehicles. Accordingly, our sales are largely dependent on sales of lift trucks and replacement parts. Our sales are made throughout the world. We are headquartered in Fairview, Oregon, employing approximately 1,900 people and maintaining operations in 16 countries outside the United States.

Note 2 Interim Financial Information

The accompanying consolidated financial statements for the interim periods ended October 31, 2011 and 2010 are unaudited. In the opinion of management, the accompanying consolidated financial statements reflect normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for those interim periods. Results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year, and these financial statements do not contain the detail or footnote disclosures concerning accounting policies and other matters that would be included in full fiscal year financial statements. Therefore, these statements should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2011.

Note 3 Segment Information

Our operating units have several similar economic characteristics and attributes, including products, distribution patterns and classes of customers. As a result, we aggregate our operating units related to the manufacturing, distribution and servicing of material handling load engagement products into four geographic operating segments, which we identify as the Americas, Europe, Asia Pacific and China. We evaluate the performance of each of our operating segments based on income or loss before interest, foreign currency gains or losses and income taxes. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies contained in Note 2 of our consolidated financial statements included in our Form 10-K for the fiscal year ended January 31, 2011.

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Revenues and operating results are classified according to the country of origin. Transfers between areas represent sales between our geographic operating segments. The costs of our corporate office are included in the Americas. Identifiable assets are attributed to the geographic location in which they are located. Net sales and transfers, operating results and identifiable assets by geographic operating segment were as follows (in thousands):

Segment Information

(In thousands)

2011	Three Months Ended October 31					Consolidated
	Americas	Europe	Asia Pacific	China	Eliminations	
Net sales	\$ 73,309	\$ 27,184	\$ 20,158	\$ 17,373	\$	\$ 138,024
Transfers between areas	6,946	107	15	9,016	(16,084)	
Net sales and transfers	\$ 80,255	\$ 27,291	\$ 20,173	\$ 26,389	\$ (16,084)	\$ 138,024
Gross profit	\$ 26,500	\$ 5,767	\$ 5,912	\$ 7,004		\$ 45,183
Selling and administrative	12,373	4,658	3,007	1,746		21,784
Operating income	\$ 14,127	\$ 1,109	\$ 2,905	\$ 5,258		\$ 23,399
Total assets	\$ 191,550	\$ 96,531	\$ 49,493	\$ 64,509		\$ 402,083
Property, plant and equipment, net	\$ 28,771	\$ 10,430	\$ 11,174	\$ 19,551		\$ 69,926
Capital expenditures	\$ 1,528	\$ 495	\$ 842	\$ 617		\$ 3,482
Depreciation expense	\$ 1,327	\$ 467	\$ 187	\$ 606		\$ 2,587

2010	Three Months Ended October 31					Consolidated
	Americas	Europe	Asia Pacific	China	Eliminations	
Net sales	\$ 53,615	\$ 22,653	\$ 16,353	\$ 14,756	\$	\$ 107,377
Transfers between areas	6,433	180	9	6,012	(12,634)	
Net sales and transfers	\$ 60,048	\$ 22,833	\$ 16,362	\$ 20,768	\$ (12,634)	\$ 107,377
Gross profit	\$ 18,933	\$ 3,409	\$ 4,601	\$ 6,849		\$ 33,792
Selling and administrative	10,365	4,219	2,500	1,252		18,336
Operating income (loss)	\$ 8,568	\$ (810)	\$ 2,101	\$ 5,597		\$ 15,456
Total assets	\$ 179,545	\$ 84,546	\$ 48,559	\$ 56,938		\$ 369,588
Property, plant and equipment, net	\$ 28,885	\$ 11,218	\$ 11,458	\$ 18,076		\$ 69,637
Capital expenditures	\$ 697	\$ 4	\$ 736	\$ 373		\$ 1,810
Depreciation expense	\$ 1,288	\$ 546	\$ 165	\$ 536		\$ 2,535

2011	Nine Months Ended October 31					Consolidated
	Americas	Europe	Asia Pacific	China	Eliminations	
Net sales	\$ 212,038	\$ 83,967	\$ 59,417	\$ 54,421	\$	\$ 409,843
Transfers between areas	22,975	748	103	25,075	(48,901)	
Net sales and transfers	\$ 235,013					