

ILLINOIS TOOL WORKS INC
Form 10-Q
May 08, 2009

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 March 31, 2009

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: 1-4797

ILLINOIS TOOL WORKS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

3600 West Lake Avenue, Glenview, IL
(Address of principal executive offices)

36-1258310
(I.R.S. Employer Identification Number)

60026-1215
(Zip Code)

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(Registrant's telephone number, including area code) 847-724-7500

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.

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

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 of registrant's common stock, \$0.01 par value, outstanding at April 30, 2009: 499,318,481.

Part I Financial Information

Item 1 Financial Statements

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

FINANCIAL STATEMENTS

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The unaudited financial statements included herein have been prepared by Illinois Tool Works Inc. and Subsidiaries (the Company). In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. It is suggested that these financial statements be read in conjunction with the financial statements and notes to financial statements included in the Company's 2008 Annual Report on Form 10-K. Certain reclassifications of prior year data have been made to conform with current year reporting.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

STATEMENT OF INCOME

(UNAUDITED)

(In thousands except for per share amounts)

	Three Months Ended	
	March 31	
	2009	2008
Operating Revenues	\$ 2,914,268	\$ 3,823,278
Cost of revenues	1,983,400	2,465,943
Selling, administrative, and research and development expenses	732,739	736,591
Amortization of intangible assets	50,570	39,925
Impairment of goodwill and other intangible assets	89,997	1,438
Operating Income	57,562	579,381
Interest expense	(31,298)	(37,427)
Other expense	(3,692)	(20,688)
Income from Continuing Operations Before Income Taxes	22,572	521,266
Income taxes	52,000	151,405
Income (Loss) from Continuing Operations	(29,428)	369,861
Loss from Discontinued Operations	(9,946)	(66,240)
Net Income (Loss)	\$ (39,374)	\$ 303,621
Income (Loss) Per Share from Continuing Operations:		
Basic	\$(0.06)	\$0.70
Diluted	\$(0.06)	\$0.70
Loss Per Share from Discontinued Operations:		
Basic	\$(0.02)	\$(0.13)
Diluted	\$(0.02)	\$(0.13)
Net Income (Loss) Per Share:		
Basic	\$(0.08)	\$0.58
Diluted	\$(0.08)	\$0.57
Cash Dividends:		
Paid	\$0.31	\$0.28
Declared	\$0.31	\$0.28
Shares of Common Stock Outstanding During the Period:		
Average	499,189	526,299
Average assuming dilution	499,189	529,725

The Notes to Financial Statements are an integral part of these statements.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

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STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

(In thousands)	March 31, 2009	December 31, 2008
<u>ASSETS</u>		
Current Assets:		
Cash and equivalents	\$ 1,121,099	\$ 742,950
Trade receivables	2,076,013	2,426,124
Inventories	1,470,946	1,673,175
Deferred income taxes	196,420	194,995
Prepaid expenses and other current assets	363,482	367,700
Assets held for sale	457,759	518,774
Total current assets	5,685,719	5,923,718
Plant and Equipment:		
Land	210,610	217,024
Buildings and improvements	1,341,583	1,347,989
Machinery and equipment	3,341,953	3,369,771
Equipment leased to others	164,766	164,504
Construction in progress	102,546	94,207
Accumulated depreciation	(3,235,054	) (3,224,859
Net plant and equipment	1,926,404	1,968,636
Investments	458,502	465,894
Goodwill	4,397,889	4,504,285
Intangible Assets	1,702,484	1,773,970
Deferred Income Taxes	80,731	76,269
Other Assets	506,278	500,311
	\$ 14,758,007	\$ 15,213,083
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
Current Liabilities:		
Short-term debt	\$ 1,130,805	\$ 2,433,482
Accounts payable	495,438	642,121
Accrued expenses	1,123,382	1,250,869
Cash dividends payable	154,781	154,726
Income taxes payable	173,537	193,631
Liabilities held for sale	157,082	200,752
Total current liabilities	3,235,025	4,875,581
Noncurrent Liabilities:		
Long-term debt	2,740,221	1,243,693
Deferred income taxes	79,552	114,556
Other	1,329,542	1,304,162
Total noncurrent liabilities	4,149,315	2,662,411
Stockholders Equity:		
Common stock	5,320	5,318
Additional paid-in-capital	122,511	105,497
Income reinvested in the business	9,001,254	9,196,465
Common stock held in treasury	(1,390,594	) (1,390,594
Accumulated other comprehensive income	(376,219	) (253,211
Noncontrolling interest	11,395	11,616
Total stockholders equity	7,373,667	7,675,091
	\$ 14,758,007	\$ 15,213,083

The Notes to Financial Statements are an integral part of these statements.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

STATEMENT OF CASH FLOWS(UNAUDITED)

(In thousands)

	Three Months Ended	
	March 31	
	2009	2008
Cash Provided by (Used for) Operating Activities:		
Net income (loss)	\$(39,374	) \$303,621
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation	81,539	90,575
Amortization and impairment of goodwill and other intangible assets	140,567	141,007
Change in deferred income taxes	(41,091	) (8,311
Provision for uncollectible accounts	4,522	3,255
(Income) loss from investments	5,737	(6,742
(Gain) loss on sale of operations and affiliates	29,851	(80
Stock compensation expense	11,637	11,304
Other non-cash items, net	3,904	(179
Change in assets and liabilities:		
(Increase) decrease in--		
Trade receivables	329,188	(19,344
Inventories	189,374	(65,336
Prepaid expenses and other assets	(15,064	) (18,213
Increase (decrease) in--		
Accounts payable	(149,908	) (18,771
Accrued expenses and other liabilities	(92,791	) (31,955
Income taxes	442	111,419
Other, net	(11,387	) 1,674
Net cash provided by operating activities	447,146	493,924
Cash Provided by (Used for) Investing Activities:		
Acquisition of businesses (excluding cash and equivalents)	(64,509	) (236,042
Additions to plant and equipment	(60,991	) (89,005
Purchases of investments	(322	) (606
Proceeds from investments	1,436	4,446
Proceeds from sale of plant and equipment	5,036	6,295
Payments related to sale of operations and affiliates	(1,548	) (3,727
Other, net	(12,522	) (1,586
Net cash used for investing activities	(133,420	) (320,225
Cash Provided by (Used for) Financing Activities:		
Cash dividends paid	(154,726	) (148,427
Issuance of common stock	5,383	17,553
Repurchases of common stock		(385,574
Net proceeds (repayments) of debt with original maturities of three months or less	(1,341,849	) 424,190
Proceeds from debt with original maturities of more than three months	2,157,939	2,438
Repayments of debt with original maturities of more than three months	(619,780	) (1,473
Excess tax benefits from share-based compensation	3	1,797
Net cash provided by (used for) financing activities	46,970	(89,496
Effect of Exchange Rate Changes on Cash and Equivalents	17,453	15,714
Cash and Equivalents:		
Increase during the period	378,149	99,917
Beginning of period	742,950	827,524
End of period	\$1,121,099	\$927,441
Cash Paid During the Period for Interest	\$24,184	\$22,021
Cash Paid During the Period for Income Taxes	\$74,204	\$43,370
Liabilities Assumed from Acquisitions	\$18,628	\$99,656

The Notes to Financial Statements are an integral part of these statements.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIESNOTES TO FINANCIAL STATEMENTS(UNAUDITED)(1) COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) in the periods presented were:

(In thousands)	Three Months Ended	
	March 31	
	2009	2008
Net Income (Loss)	\$ (39,374	) \$ 303,621
Other Comprehensive Income (Loss):		
Foreign currency translation adjustments	(122,988	) 102,539
Pension and other postretirement benefit adjustments, net of tax	(20	) 721
Comprehensive Income (Loss)	\$ (162,382	) \$ 406,881

(2) DISCONTINUED OPERATIONS

The Company periodically reviews its 875 operations for businesses which may no longer be aligned with its long-term objectives. In August 2008, the Company's Board of Directors authorized the divestiture of the Decorative Surfaces segment and Click Commerce industrial software business which was previously reported in the All Other segment. The Company is actively marketing these businesses.

In the fourth quarter of 2007, the Company classified an automotive components business and a consumer packaging business as held for sale. The consumer packaging business was sold in the second quarter of 2008. The Company is actively marketing the automotive components business and expects to dispose of it in the first half of 2009.

The consolidated statements of income and the notes to financial statements have been restated to present the operating results of the held for sale and previously divested businesses as discontinued operations.

Results of the discontinued operations for the first quarter of 2009 and 2008 were as follows:

(In thousands)	Three Months Ended	
	March 31	
	2009	2008
Operating revenues	\$ 245,738	\$ 338,209
Loss before taxes	\$ (867	) \$ (56,726
Income tax expense	(9,079) (9,514
Loss from discontinued operations	\$ (9,946) \$ (66,240

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In the first quarter of 2009, the Company recorded a loss on anticipated sale of the Click Commerce business of \$30,000,000 to reflect the estimated selling price based on current negotiations. Loss before taxes in the first quarter of 2008 includes goodwill impairment charges of \$97,152,000 related to the Click Commerce business.

As of March 31, 2009 and December 31, 2008, the assets and liabilities of the Decorative Surfaces segment, Click Commerce business and a certain automotive components business were included in assets and liabilities held for sale. The total assets and liabilities held for sale were as follows:

(In thousands)	March 31, 2009	December 31, 2008
Trade receivables	\$ 147,275	\$ 162,564
Inventory	97,259	103,891
Net plant and equipment	151,979	152,104
Net goodwill and intangible assets	125,923	127,369
Other assets	29,323	36,846
Loss reserve on assets held for sale	(94,000	) (64,000
Total assets held for sale	\$)