

HUBBELL INC
Form 10-Q
April 22, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

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 1-2958

HUBBELL INCORPORATED

(Exact name of registrant as specified in its charter)

State of Connecticut

06-0397030

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

40 Waterview Drive, Shelton, CT

06484

(Address of principal executive offices)

(Zip Code)

(475) 882-4000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report.)

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 outstanding of the Class A Common Stock and Class B Common Stock as of April 18, 2011 were 7,167,506 and 53,090,258, respectively.

HUBBELL INCORPORATED

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HUBBELL INCORPORATED
Condensed Consolidated Statement of Income
(unaudited)
(in millions, except per share amounts)

	Three Months Ended	
	March 31	
	2011	2010
Net Sales	\$ 658.1	\$ 570.5
Cost of goods sold	452.9	394.8
Gross Profit	205.2	175.7
Selling & administrative expenses	121.6	110.0
Operating income	83.6	65.7
Interest expense, net	(7.5)	(7.6)
Other (expense) income, net	(2.1)	(0.5)
Total other expense, net	(9.6)	(8.1)
Income before income taxes	74.0	57.6
Provision for income taxes	23.3	18.6
Net income	50.7	39.0
Less: Net income attributable to noncontrolling interest	0.4	0.4
Net income attributable to Hubbell	\$ 50.3	\$ 38.6
Earnings per share		
Basic	\$ 0.83	\$ 0.64
Diluted	\$ 0.82	\$ 0.64
Cash dividends per common share	\$ 0.38	\$ 0.36

See notes to unaudited condensed consolidated financial statements.

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HUBBELL INCORPORATED
Condensed Consolidated Balance Sheet
(unaudited)
(in millions)

	March 31, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 496.9	\$ 520.7
Short-term investments	7.8	8.8
Accounts receivable, net	397.5	341.8
Inventories, net	303.7	298.4
Deferred taxes and other	61.3	56.4
Total Current Assets	1,267.2	1,226.1
Property, Plant, and Equipment, net	365.6	358.3
Other Assets		
Investments	31.6	30.2
Goodwill	726.6	724.0
Intangible assets, net	270.3	273.5
Other long-term assets	80.8	93.7
Total Assets	\$ 2,742.1	\$ 2,705.8
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	\$ 1.8	\$ 1.8
Accounts payable	219.5	160.8
Accrued salaries, wages and employee benefits	43.4	70.4
Accrued insurance	57.7	48.5
Dividends payable	23.0	21.9
Other accrued liabilities	140.2	141.6
Total Current Liabilities	485.6	445.0
Long-Term Debt	596.0	595.9
Other Non-Current Liabilities	197.9	201.4
Total Liabilities	1,279.5	1,242.3
Total Hubbell Shareholders' Equity	1,458.2	1,459.2
Noncontrolling interest	4.4	4.3
Total Equity	1,462.6	1,463.5
Total Liabilities and Equity	\$ 2,742.1	\$ 2,705.8

See notes to unaudited condensed consolidated financial statements.

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HUBBELL INCORPORATED
Condensed Consolidated Statement of Cash Flows
(unaudited)
(in millions)

	Three Months Ended	
	March 31	
	2011	2010
Cash Flows from Operating Activities		
Net income	\$ 50.7	\$ 39.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17.6	18.3
Deferred income taxes	9.7	2.7
Stock-based compensation	2.5	2.2
Tax benefit on stock-based awards	(3.5)	(2.1)
Changes in assets and liabilities:		
Increase in accounts receivable	(57.3)	(35.6)
Increase in inventories	(3.9)	(8.0)
Increase in current liabilities	41.2	10.6
Changes in other assets and liabilities, net	(1.3)	(4.4)
Contribution to defined benefit pension plans	(0.8)	(0.9)
Other, net	(1.4)	2.1
Net cash provided by operating activities	53.5	23.9
Cash Flows from Investing Activities		
Capital expenditures	(22.0)	(11.1)
Purchases of available-for-sale investments	(0.2)	(3.3)
Proceeds from available-for-sale investments	1.1	2.8
Other, net	2.1	1.1
Net cash used in investing activities	(19.0)	(10.5)
Cash Flows from Financing Activities		
Short-term debt borrowings, net		3.4
Payment of dividends	(21.9)	(20.9)
Payment of dividends to noncontrolling interest	(0.3)	(0.3)
Acquisition of common shares	(59.9)	
Proceeds from exercise of stock options	16.4	9.6
Tax benefit on stock-based awards	3.5	2.1
Other, net	0.1	(0.1)
Net cash used in financing activities	(62.1)	(6.2)
Effect of foreign currency exchange rate changes on cash and cash equivalents	3.8	(1.0)
(Decrease) increase in cash and cash equivalents	(23.8)	6.2
Cash and cash equivalents		
Beginning of period	520.7	258.5

End of period \$ 496.9 \$ 264.7

See notes to unaudited condensed consolidated financial statements.

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HUBBELL INCORPORATED
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Hubbell Incorporated (Hubbell , the Company , registrant , we , our or us , which references shall include its divisions and subsidiaries) have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (U.S.) for complete financial statements. In the opinion of management, all adjustments consisting only of normal recurring adjustments considered necessary for a fair statement of the results of the periods presented have been included. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Hubbell Incorporated Annual Report on Form 10-K for the year ended December 31, 2010.

Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the acquisition date that should be used for reporting pro forma financial information for business combinations. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date had been completed as of the beginning of the comparable prior annual reporting period. The amendments in this guidance are effective prospectively for business combinations for which the acquisition date is on or after January 1, 2011. Adoption of this amended guidance will not have an impact on the Company's consolidated financial results.

In December 2010, the FASB also issued amendments to the guidance on goodwill impairment testing. The amendments modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In making that determination, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. These amendments are effective for fiscal years and interim periods beginning January 1, 2011 and are not expected to have an impact on the Company's financial position, results of operations or cash flows.

2. Segment Information

The Company's reporting segments consist of the Electrical segment and the Power segment. The following table sets forth financial information by business segment (in millions):

	Net Sales		Operating Income		Operating Income as a % of Net Sales	
	2011	2010	2011	2010	2011	2010
Three Months Ended March 31,						
Electrical	\$ 466.1	\$ 409.3	\$ 57.6	\$ 40.1	12.4%	9.8%
Power	192.0	161.2	26.0	25.6	13.5%	15.9%
Total	\$ 658.1	\$ 570.5	\$ 83.6	\$ 65.7	12.7%	11.5%

Table of Contents**3. Inventories, net**

Inventories, net are comprised of the following (in millions):

	March 31, 2011	December 31, 2010
Raw material	\$ 109.0	\$ 106.0
Work-in-process	66.0	62.4
Finished goods	205.1	206.4
	380.1	374.8
Excess of FIFO over LIFO cost basis	(76.4)	(76.4)
Total	\$ 303.7	\$ 298.4

4. Goodwill and Other Intangible Assets

Changes in the carrying values of goodwill for the three months ended March 31, 2011, by segment, were as follows (in millions):

	Segment		Total
	Electrical	Power	
Balance December 31, 2010	\$ 448.2	\$ 275.8	\$ 724.0
Translation adjustments	2.4	0.2	2.6
Balance March 31, 2011	\$ 450.6	\$ 276.0	\$ 726.6

The carrying value of other intangible assets included in Intangible assets, net in the Condensed Consolidated Balance Sheet is as follows (in millions):

	March 31, 2011		December 31, 2010	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Definite-lived:				
Patents, tradenames and trademarks	\$ 83.8	\$ (16.3)	\$ 83.6	\$ (15.2)
Customer/Agent relationships and other	183.4	(37.5)	183.1	(34.6)
Total	267.2	(53.8)	266.7	(49.8)
Indefinite-lived:				
Tradenames and other	56.9		56.6	
Total	\$ 324.1	\$ (53.8)	\$ 323.3	\$ (49.8)

Amortization expense associated with these definite-lived intangible assets was \$4.1 million for both the three months ended March 31, 2011 and 2010. Amortization expense associated with these intangible assets for the full year is expected to be \$16.0 million in 2011, \$15.4 million in 2012, \$15.0 million in 2013, \$14.5 million in 2014, \$13.2 million in 2015 and \$12.5 million in 2016.

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Total equity is comprised of the following (in millions, except per share amounts):

	March 31, 2011	December 31, 2010
Common stock, \$.01 par value:		
Class A authorized 50.0 shares; issued and outstanding 7.2 and 7.2 shares	\$ 0.1	\$ 0.1
Class B authorized 150.0 shares; issued and outstanding 53.1 and 53.5 shares	0.5	0.5
Additional paid-in-capital	162.6	201.3
Retained earnings	1,365.9	1,338.6
Accumulated other comprehensive loss:		
Pension and post retirement benefit plan adjustment, net of tax	(94.2)	(95.6)
Cumulative translation adjustment	23.7	14.6
Unrealized gain on investment, net of tax	0.5	0.5
Cash flow hedge loss, net of tax	(0.9)	(0.8)
Total Accumulated other comprehensive loss	(70.9)	(81.3)
Hubbell Shareholders equity	1,458.2	1,459.2
Noncontrolling interest	4.4	4.3
Total equity	\$ 1,462.6	\$ 1,463.5

A summary of the changes in equity for the three months ended March 31, 2011 and 2010 is provided below (in millions):

	Three Months Ended March 31,					
	2011			2010		
	Hubbell Shareholders Equity	Noncontrolling interest	Total Equity	Hubbell Shareholders Equity	Noncontrolling interest	Total Equity
Equity, beginning of period	\$ 1,459.2	\$ 4.3	\$ 1,463.5	\$ 1,298.2	\$ 3.8	\$ 1,302.0
Total comprehensive income	60.7	0.4	61.1	36.2	0.4	36.6
Stock-based compensation	2.5		2.5	2.2		2.2
Exercise of stock options	16.4		16.4	9.6		9.6
Income tax windfall from stock-based awards, net	3.5		3.5	2.1		2.1
Acquisition/surrender of common shares	(61.9)		(61.9)	(0.7)		(0.7)
Issuance of shares related to director s deferred compensation	0.8		0.8			
Dividends to noncontrolling interest		(0.3)	(0.3)		(0.3)	(0.3)
Cash dividends declared	(23.0)		(23.0)	(21.7)		(21.7)
Equity, end of period	\$ 1,458.2	\$ 4.4	\$ 1,462.6	\$ 1,325.9	\$ 3.9	\$ 1,329.8

The detailed components of total comprehensive income are presented in Note 6 Comprehensive Income.

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Total comprehensive income and its components are as follows (in millions):

	Three Months Ended March 31	
	2011	2010
Net income	\$ 50.7	\$ 39.0
Foreign currency translation adjustments	9.1	(3.3)
Amortization of net prior service costs and net actuarial losses, net of tax	1.4	1.0
Change in unrealized gains on investments, net of tax		(0.1)
Change in unrealized losses on cash flow hedges, net of tax	(0.1)	
Total Comprehensive income	61.1	36.6
Less: Comprehensive income attributable to noncontrolling interest	0.4	0.4
Comprehensive income attributable to Hubbell	\$ 60.7	\$ 36.2

7. Earnings Per Share

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities. Restricted stock granted by the Company is considered a participating security since it contains a non-forfeitable right to dividends.

The following table sets forth the computation of earnings per share for the three months ended March 31, 2011 and 2010 (in millions, except per share amounts):

	Three Months Ended March 31	
	2011	2010
Numerator:		
Net income attributable to Hubbell	\$ 50.3	\$ 38.6
Less: Earnings allocated to participating securities	0.2	0.2
Net income available to common shareholders	50.1	38.4
Denominator:		
Average number of common shares outstanding	60.4	59.7
Potential dilutive shares	0.8	0.4
Average number of diluted shares outstanding	61.2	60.1
Earnings per share:		
Basic	\$ 0.83	\$ 0.64
Diluted	\$ 0.82	\$ 0.64
Anti-dilutive securities excluded from the calculation of earnings per diluted share:		
Stock options and performance shares		0.8
Stock appreciation rights		1.6

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8. Pension and Other Benefits

The following table sets forth the components of pension and other benefits cost for the three months ended March 31, (in millions):

Pension Benefits		Other Benefits
2011	2010	