

CRANE CO /DE/  
Form 10-Q  
August 04, 2008

**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 June 30, 2008

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: 1-1657

**CRANE CO.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-1952290**  
(I.R.S. Employer  
Identification No.)

**100 First Stamford Place, Stamford, CT**  
(Address of principal executive offices)

**06902**  
(Zip Code)

**Registrant's telephone number, including area code: 203-363-7300**

(Not Applicable)

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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  (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 outstanding of the issuer's classes of common stock, as of July 31, 2008

Common stock, \$1.00 Par Value 59,802,112 shares

## Part I Financial Information

## Item 1. Financial Statements

## Crane Co. and Subsidiaries

## Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net sales	\$ 693,482	\$ 660,897	\$ 1,372,350	\$ 1,289,115
Operating costs and expenses:				
Cost of sales	455,647	452,273	908,178	875,957
Selling, general and administrative	151,564	136,827	302,552	272,962
Operating profit	86,271	71,797	161,620	140,196
Other income (expense):				
Interest income	2,883	989	5,167	2,302
Interest expense	(6,678)	(6,901)	(13,183)	(13,769)
Miscellaneous net	1,631	931	1,961	2,744
	(2,164)	(4,981)	(6,055)	(8,723)
Income before income taxes	84,107	66,816	155,565	131,473
Provision for income taxes	25,098	21,080	48,178	42,092
Net income	\$ 59,009	\$ 45,736	\$ 107,387	\$ 89,381
Basic net income per share:	\$ 0.99	\$ 0.77	\$ 1.79	\$ 1.49
Diluted net income per share:	\$ 0.97	\$ 0.75	\$ 1.77	\$ 1.46
Average basic shares outstanding	59,707	59,767	59,911	60,039
Average diluted shares outstanding	60,581	60,882	60,812	61,096
Dividends per share	\$ 0.18	\$ 0.15	\$ 0.36	\$ 0.30

See Notes to Condensed Consolidated Financial Statements.

## Crane Co. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	(Unaudited)	
	June 30, 2008	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 321,548	\$ 283,370
Accounts receivable, net	377,844	345,176
Current insurance receivable - asbestos	33,600	33,600
Inventories, net:		
Finished goods	123,564	109,337
Finished parts and subassemblies	41,605	39,108
Work in process	50,155	51,923
Raw materials	143,004	127,351
Inventories, net	358,328	327,719
Other current assets	61,486	47,757
<b>Total current assets</b>	<b>1,152,806</b>	<b>1,037,622</b>
Property, plant and equipment:		
Cost	774,700	749,968
Less: accumulated depreciation	481,687	460,285
<b>Property, plant and equipment, net</b>	<b>293,013</b>	<b>289,683</b>
Long-term insurance receivable - asbestos	284,864	306,557
Long-term deferred tax assets	192,288	220,370
Other assets	124,673	128,360
<b>Intangible assets, net</b>	<b>120,443</b>	<b>128,150</b>
Goodwill	769,642	766,550
<b>Total assets</b>	<b>\$ 2,937,729</b>	<b>\$ 2,877,292</b>

*See Notes to Condensed Consolidated Financial Statements.*

## Crane Co. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	(Unaudited)	
	June 30, 2008	December 31, 2007
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable and current maturities of long-term debt	\$ 3,648	\$ 548
Accounts payable	191,426	177,978
Current asbestos liability	84,000	84,000
Accrued liabilities	223,720	230,295
U.S. and foreign taxes on income	9,394	731
Total current liabilities	512,188	493,552
Long-term debt	398,390	398,301
Accrued pension and postretirement benefits	52,396	52,233
Long-term deferred tax liability	33,019	31,880
Long-term asbestos liability	904,469	942,776
Other liabilities	60,300	65,353
Total liabilities	1,960,762	1,984,095
Minority interest	8,326	8,394
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred shares, par value \$.01; 5,000,000 shares authorized		
Common stock, par value \$1.00; 200,000,000 shares authorized, 72,426,139 shares issued	72,426	72,426
Capital surplus	152,254	148,513
Retained earnings	926,120	845,864
Accumulated other comprehensive income	175,557	154,077
Treasury stock	(357,716)	(336,077)
Total shareholders' equity	968,641	884,803
Total liabilities and shareholders' equity	\$ 2,937,729	\$ 2,877,292
Common stock issued	72,426,139	72,426,139
Less: Common stock held in treasury	(12,642,134)	(12,264,788)
Common stock outstanding	59,784,005	60,161,351

See Notes to Condensed Consolidated Financial Statements.

## Crane Co. and Subsidiaries

## Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Operating activities:</b>		
Net income	\$ 107,387	\$ 89,381
Income from joint venture		(2,545)
Gain on divestitures	(932)	
Depreciation and amortization	29,695	31,068
Stock-based compensation expense	6,985	7,376
Deferred income taxes	11,865	(9,468)
Cash used for working capital	(46,288)	(46,132)
(Payments) receipts for asbestos-related fees and costs, net of insurance recoveries	(16,614)	15,208
Other	(2,601)	(14,131)
<b>Total provided by operating activities</b>	<b>89,497</b>	<b>70,757</b>
<b>Investing activities:</b>		
Capital expenditures	(20,401)	(21,831)
Proceeds from disposition of capital assets	444	11,236
Payment for acquisitions, net of cash acquired	(132)	145
Proceeds from divestiture	2,106	
<b>Total used for investing activities</b>	<b>(17,983)</b>	<b>(10,450)</b>
<b>Financing activities:</b>		
<b>Equity:</b>		
Dividends paid	(21,556)	(18,039)
Reacquisition of shares on the open market	(40,000)	(50,001)
Stock options exercised net of shares reacquired	9,091	7,144
Excess tax benefit from stock-based compensation	900	2,127
<b>Debt:</b>		
Repayments of long-term debt		(89)
Net increase in short-term debt	3,042	(8,608)
<b>Total used for financing activities</b>	<b>(48,523)</b>	<b>(67,466)</b>
Effect of exchange rates on cash and cash equivalents	15,187	3,627
<b>Increase (decrease) in cash and cash equivalents</b>	<b>38,178</b>	<b>(3,532)</b>
Cash and cash equivalents at beginning of period	283,370	138,607
<b>Cash and cash equivalents at end of period</b>	<b>\$ 321,548</b>	<b>\$ 135,075</b>
<b>Detail of cash used for working capital:</b>		
Accounts receivable	\$ (27,912)	\$ (51,482)
Inventories	(28,542)	(12,653)
Other current assets	(2,508)	742

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Accounts payable	12,417	19,503
Accrued liabilities	(7,885)	1,645
U.S. and foreign taxes on income	8,142	(3,887)
<b>Total</b>	<b>\$ (46,288)</b>	<b>\$ (46,132)</b>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 13,129	\$ 13,533
Income taxes paid	\$ 25,905	\$ 49,538

Part I Financial Information

Item 1. Financial Statements

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and the instructions to Form 10-Q and, therefore, reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These interim condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

2. Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS 157 ). This statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements. In February 2008, the FASB issued Staff Positions No. SFAS 157-1 and No. SFAS 157-2 which delayed the effective date of SFAS No. 157 for one year for certain non-financial assets and non-financial liabilities and removed certain leasing transactions from its scope. The Company adopted SFAS 157 effective January 1, 2008 for financial assets and financial liabilities measured on a recurring basis (see Note 13, Fair Value Measurements ). The Company is currently evaluating the provisions of SF