

OSHKOSH CORP
Form 10-Q
May 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 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: 1-31371

Oshkosh Corporation

(Exact name of registrant as specified in its charter)

Wisconsin

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

39-0520270

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

P.O. Box 2566

Oshkosh, Wisconsin

(Address of principal executive offices)

54903-2566

(Zip Code)

Registrant's telephone number, including area code: **(920) 235-9151**

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 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 ☐

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 ☒

For the transition period from _____ to _____

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As of April 27, 2009, 74,444,562 shares of the Registrant's Common Stock were outstanding.

OSHKOSH CORPORATION
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FOR THE QUARTER ENDED MARCH 31, 2009

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PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

OSHKOSH CORPORATION
Condensed Consolidated Statements of Operations
(In millions, except per share amounts; unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Net sales	\$ 1,295.9	\$ 1,772.6	\$ 2,682.0	\$ 3,272.5
Cost of sales	1,154.3	1,449.5	2,389.0	2,697.4
Gross income	141.6	323.1	293.0	575.1
Operating expenses:				
Selling, general and administrative	103.2	138.2	221.2	261.6
Amortization of purchased intangibles	15.8	16.7	32.1	35.4
Goodwill and long-lived asset impairment charges	1,197.8	--	1,197.8	--
Total operating expenses	1,316.8	154.9	1,451.1	297.0
Operating (loss) income	(1,175.2)	168.2	(1,158.1)	278.1
Other income (expense):				
Interest expense	(41.9)	(55.0)	(86.7)	(111.3)
Interest income	1.0	1.5	2.7	3.3
Miscellaneous, net	(2.9)	(3.5)	--	(5.6)
	(43.8)	(57.0)	(84.0)	(113.6)
(Loss) income before (benefit) provision for income taxes, equity in earnings of unconsolidated affiliates and minority interest	(1,219.0)	111.2	(1,242.1)	164.5
(Benefit) provision for income taxes	(26.8)	40.8	(28.6)	58.9
(Loss) income before equity in earnings of unconsolidated affiliates and minority interest	(1,192.2)	70.4	(1,213.5)	105.6
Equity in earnings of unconsolidated affiliates, net of income taxes	--	1.9	0.5	3.7
Minority interest, net of income taxes	0.2	0.3	0.4	0.6
Net (loss) income	\$ (1,192.0)	\$ 72.6	\$ (1,212.6)	\$ 109.9
(Loss) earnings per share:				
Basic	\$ (16.02)	\$ 0.98	\$ (16.30)	\$ 1.49
Diluted	\$ (16.02)	\$ 0.97	\$ (16.30)	\$ 1.47

The accompanying notes are an integral part of these financial statements.

OSHKOSH CORPORATION
Condensed Consolidated Balance Sheets
(In millions, except share and per share amounts; unaudited)

	March 31, 2009	September 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 107.7	\$ 88.2
Receivables, net	639.4	997.8
Inventories, net	915.5	941.6
Deferred income taxes	74.8	66.6
Other current assets	71.6	58.2
Total current assets	1,809.0	2,152.4
Investment in unconsolidated affiliates	38.3	38.1
Property, plant and equipment, net	413.9	453.3
Goodwill	1,063.3	2,274.1
Purchased intangible assets, net	992.6	1,059.9
Other long-term assets	128.2	103.7
Total assets	\$ 4,445.3	\$ 6,081.5
Liabilities and Shareholders' Equity		
Current liabilities:		
Revolving credit facility and current maturities of long-term debt	\$ 26.2	\$ 93.5
Accounts payable	478.9	639.9
Customer advances	436.9	296.8
Payroll-related obligations	67.4	104.8
Income taxes payable	6.7	11.1
Accrued warranty	80.4	88.3
Other current liabilities	214.3	228.8
Total current liabilities	1,310.8	1,463.2
Long-term debt, less current maturities	2,491.9	2,680.5
Deferred income taxes	279.2	308.9
Other long-term liabilities	288.2	237.0
Commitments and contingencies		
Minority interest	2.6	3.3
Shareholders' equity:		
Preferred stock (\$.01 par value; 2,000,000 shares authorized; none issued and outstanding)	--	--
Common Stock (\$.01 par value; 300,000,000 shares authorized; 74,545,337 shares issued)	0.7	0.7
Additional paid-in capital	253.5	250.7
(Accumulated deficit) retained earnings	(144.6)	1,082.9
Accumulated other comprehensive income	(35.8)	55.7
Common Stock in treasury, at cost (100,775 and 116,499 shares, respectively)	(1.2)	(1.4)
Total shareholders' equity	72.6	1,388.6
Total liabilities and shareholders' equity	\$ 4,445.3	\$ 6,081.5

The accompanying notes are an integral part of these financial statements.

OSHKOSH CORPORATION
Condensed Consolidated Statement of Shareholders' Equity
(In millions, except per share amounts; unaudited)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>(Accumulated Deficit) Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Common Stock in Treasury at Cost</u>	<u>Total</u>
Balance at September 30, 2008	\$ 0.7	\$ 250.7	\$ 1,082.9	\$ 55.7	\$ (1.4)	\$ 1,388.6
Net loss	--	--	(1,212.6)	--	--	(1,212.6)
Change in fair value of derivative instruments, net of tax of \$9.9	--	--	--	(15.8)	--	(15.8)
Currency translation adjustments	--	--	--	(75.7)	--	(75.7)
Cash dividends (\$0.20 per share)	--	--	(14.9)	--	--	(14.9)
Stock-based compensation and award of nonvested shares	--	3.1	--	--	--	3.1
Other	--	(0.3)	--	--	0.2	(0.1)
Balance at March 31, 2009	\$ 0.7	\$ 253.5	\$ (144.6)	\$ (35.8)	\$ (1.2)	\$ 72.6

The accompanying notes are an integral part of these financial statements.

OSHKOSH CORPORATION
Condensed Consolidated Statements of Cash Flows
(In millions; unaudited)

	<u>Six Months Ended March 31,</u>	
	<u>2009</u>	<u>2008</u>
Operating activities:		
Net (loss) income	\$ (1,212.6)	\$ 109.9
Goodwill and long-lived asset impairment charges	1,197.8	--
Other non-cash adjustments	60.1	66.2
Changes in operating assets and liabilities	279.1	(149.2)
Net cash provided by operating activities	324.4	26.9
Investing activities:		
Additions to property, plant and equipment	(14.6)	(44.7)
Additions to equipment held for rental	(2.2)	(8.5)

	Six Months Ended March 31,	
Proceeds from sale of property, plant and equipment	3.8	2.7
Proceeds from sale of equipment held for rental	3.5	6.4
Contribution of capital to unconsolidated affiliates	(1.1)	--
(Increase) decrease in other long-term assets	(0.1)	0.1
	<hr/>	<hr/>
Net cash used by investing activities	(10.7)	(44.0)
Financing activities:		
Repayment of long-term debt	(213.5)	(0.6)
Net repayments under revolving credit facility	(40.3)	(1.3)
Debt amendment costs	(20.0)	--
Purchase of common stock	(0.1)	--
Proceeds from exercise of stock options	0.1	4.3
Excess tax benefits from stock-based compensation	--	2.8
Dividends paid	(14.9)	(14.8)
	<hr/>	<hr/>
Net cash used by financing activities	(288.7)	(9.6)
Effect of exchange rate changes on cash	(5.5)	3.5
	<hr/>	<hr/>
Increase in cash and cash equivalents	19.5	(23.2)
Cash and cash equivalents at beginning of period	88.2	75.2
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 107.7	\$ 52.0
	<hr/>	<hr/>
Supplemental disclosures:		
Depreciation and amortization	\$ 73.8	\$ 76.2
Cash paid for interest	77.5	110.9
Cash paid for income taxes	13.3	58.3

The accompanying notes are an integral part of these financial statements.

OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (which include normal recurring adjustments) necessary to present fairly, the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in Oshkosh Corporation's (the Company) Annual Report on Form 10-K for the year ended September 30, 2008. The interim results are not necessarily indicative of results for the full year.

Impairment of Goodwill and Other Long-lived Assets During the second quarter of fiscal 2009, the Company determined that goodwill and other long-lived assets were impaired at a number of the Company's reporting units. Following the completion of the impairment assessment, the Company recorded pre-tax non-cash impairment charges of \$1.20 billion in the second fiscal quarter. These charges were driven by current projections and valuation assumptions that reflect the Company's belief that the current recession will be deeper and longer than previously expected, that credit markets will remain tight and that costs of capital have risen significantly since the Company last performed its annual impairment testing. See Note 6 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the non-cash

impairment charges.

New Accounting Standards Effective October 1, 2008, the Company partially adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 clarifies the definition of exchange price as the price between market participants in an orderly transaction to sell an asset or transfer a liability in the market in which the reporting entity would transact business for the asset or liability, that is, the principal or most advantageous market for the asset or liability. As permitted by Financial Accounting Standards Board (FASB) Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, the Company did not adopt SFAS No. 157 for non-financial assets and liabilities which are not recognized or disclosed at fair value on a recurring basis. See Note 10 of the Notes to Condensed Consolidated Financial Statements for additional information regarding fair value measurement disclosures. The Company will be required to adopt SFAS No. 157 for non-financial assets and liabilities which are not recognized or disclosed at fair value on a recurring basis on October 1, 2009. The Company is currently evaluating the impact of adopting SFAS No. 157 for non-financial assets and liabilities on the Company's financial condition, results of operations and cash flows.

Effective October 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits entities to choose to measure many financial instruments and certain other items at fair value. The adoption of SFAS No. 159 did not have an impact on the Company's results of operations or financial condition as the Company has not elected to measure any financial assets or financial liabilities at fair value which were not previously required to be measured at fair value.

Effective January 1, 2009, the Company adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133*, which enhances disclosures of derivative instruments, including those used in hedging activities. The adoption of SFAS No. 161 did not have a material impact on the Company's financial condition, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, which requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, at their fair values as of that date. Acquisition-related transaction and restructuring costs will be expensed rather than treated as acquisition costs and included in the amount recorded for assets acquired. SFAS No. 141R will be effective for the Company on a prospective basis for all business combinations for which the acquisition date is on or after October 1, 2009. SFAS No. 141R also amends SFAS No. 109, *Accounting for Income Taxes*, such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that close prior to the effective date of SFAS No. 141R would also apply the provision of SFAS No. 141R. The Company is currently evaluating the impact of SFAS No. 141R on the Company's financial condition, results of operations and cash flows.

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OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company will be required to adopt SFAS No. 160 as of October 1, 2009. The Company is currently evaluating the impact of SFAS No. 160 on the Company's financial condition, results of operations and cash flows.

2. Receivables

Receivables consisted of the following (in millions):

	<u>March 31, 2009</u>	<u>September 30, 2008</u>
U.S. government		
Amounts billed	\$ 166.0	\$ 199.4
Cost and profits not billed	5.9	6.1
	<u>171.9</u>	<u>205.5</u>
Other trade receivables	423.6	738.7

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	March 31, 2009	September 30, 2008
Finance receivables	38.1	26.4
Pledged finance receivables	3.4	3.9
Notes receivables	55.9	61.8
Other receivables	36.4	43.6
	<hr/>	<hr/>
	729.3	1,079.9
Less allowance for doubtful accounts	(30.9)	