

MOHAWK INDUSTRIES INC
Form 10-Q
November 04, 2011
[Table of Contents](#)

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 1, 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 01-13697

MOHAWK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-1604305 (I.R.S. Employer Identification No.)
160 S. Industrial Blvd., Calhoun, Georgia (Address of principal executive offices)	30701 (Zip Code)
Registrant's telephone number, including area code: (706) 629-7721	

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 outstanding of the issuer's classes of common stock as of October 31, 2011, the latest practicable date, is as follows:
68,765,263 shares of Common Stock, \$.01 par value.

Table of Contents

MOHAWK INDUSTRIES, INC.

INDEX

	Page No
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of October 1, 2011 and December 31, 2010</u>	3
<u>Condensed Consolidated Statements of Operations for the three months ended October 1, 2011 and October 2, 2010</u>	5
<u>Condensed Consolidated Statements of Operations for the nine months ended October 1, 2011 and October 2, 2010</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended October 1, 2011 and October 2, 2010</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4. <u>Controls and Procedures</u>	27
Part II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	28
Item 1A. <u>Risk Factors</u>	28
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3. <u>Defaults Upon Senior Securities</u>	35
Item 4. <u>(Removed and Reserved)</u>	35
Item 5. <u>Other Information</u>	35
Item 6. <u>Exhibits</u>	35

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(In thousands)

(Unaudited)

	October 1, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 276,156	354,217
Restricted cash		27,954
Receivables, net	775,421	614,473
Inventories	1,132,073	1,007,503
Prepaid expenses	104,250	91,731
Deferred income taxes	131,931	133,304
Other current assets	20,757	19,431
Total current assets	2,440,588	2,248,613
Property, plant and equipment, at cost	3,626,615	3,518,392
Less accumulated depreciation and amortization	1,930,433	1,831,268
Property, plant and equipment, net	1,696,182	1,687,124
Goodwill	1,389,430	1,369,394
Tradenames	458,856	456,890
Other intangible assets, net	175,308	220,237
Deferred income taxes and other non-current assets	117,204	116,668
	\$ 6,277,568	6,098,926

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS EQUITY

(In thousands, except per share data)

(Unaudited)

	October 1, 2011	December 31, 2010
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 438,300	350,588
Accounts payable and accrued expenses	774,939	698,326
Total current liabilities	1,213,239	1,048,914
Deferred income taxes	343,870	346,503
Long-term debt, less current portion	1,173,038	1,302,994
Other long-term liabilities	95,928	93,518
Total liabilities	2,826,075	2,791,929
Commitments and contingencies (Notes 12 and 13)		
Redeemable noncontrolling interest	32,758	35,441
Stockholders equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued		
Common stock, \$.01 par value; 150,000 shares authorized; 79,793 and 79,666 shares issued in 2011 and 2010, respectively	798	797
Additional paid-in capital	1,245,020	1,235,445
Retained earnings	2,311,834	2,180,843
Accumulated other comprehensive income, net	184,631	178,097
	3,742,283	3,595,182
Less treasury stock at cost; 11,035 and 11,037 shares in 2011 and 2010, respectively	323,548	323,626
Total stockholders equity	3,418,735	3,271,556
	\$ 6,277,568	6,098,926

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended	
	October 1, 2011	October 2, 2010
Net sales	\$ 1,442,512	1,309,552
Cost of sales	1,084,889	964,620
Gross profit	357,623	344,932
Selling, general and administrative expenses	266,159	259,750
Operating income	91,464	85,182
Other expense (income):		
Interest expense	25,132	30,046
Other expense	14,418	2,944
Other income	(1,005)	(1,820)
U.S. customs refund		(5,765)
	38,545	25,405
Earnings before income taxes	52,919	59,777
Income tax expense	5,223	7,513
Net earnings	47,696	52,264
Less: Net earnings attributable to noncontrolling interest	1,050	1,170
Net earnings attributable to Mohawk Industries, Inc.	\$ 46,646	51,094
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 0.68	0.74
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 0.68	0.74

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Nine Months Ended	
	October 1, 2011	October 2, 2010
Net sales	\$ 4,263,961	4,056,874
Cost of sales	3,182,499	2,995,940
Gross profit	1,081,462	1,060,934
Selling, general and administrative expenses	832,214	832,405
Operating income	249,248	228,529
Other expense (income):		
Interest expense	77,487	102,985
Other expense	21,206	2,588
Other income	(7,412)	(5,451)
U.S. customs refund		(5,765)
	91,281	94,357
Earnings before income taxes	157,967	134,172
Income tax expense (benefit)	23,639	(8,327)
Net earnings	134,328	142,499
Less: Net earnings attributable to noncontrolling interest	3,337	2,786
Net earnings attributable to Mohawk Industries, Inc.	\$ 130,991	139,713
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 1.91	1.99
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 1.90	1.99

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	October 1, 2011	October 2, 2010
Cash flows from operating activities:		
Net earnings	\$ 134,328	142,499
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Restructuring	15,513	12,263
Depreciation and amortization	222,804	222,251
Deferred income taxes	(732)	(12,486)
Loss on extinguishment of debt	1,116	7,514
Loss (gain) on disposal of property, plant and equipment	956	(5,105)
Stock-based compensation expense	8,129	5,224
Other	(1,257)	
Changes in operating assets and liabilities, net of effects of acquisitions:		
Receivables, net	(161,398)	(96,195)
Income tax receivable		74,252
Inventories	(114,682)	(103,944)
Accounts payable and accrued expenses	37,764	(24,775)