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FRANKLIN ELECTRIC CO INC

Form 8-K

April 16, 2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K  
CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15 (D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) APRIL 15, 2004  
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FRANKLIN ELECTRIC CO., INC.  
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(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

INDIANA -----	0-362 -----	35-0827455 -----
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

400 EAST SPRING STREET BLUFFTON, INDIANA -----	46714 -----
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(260) 824-2900  
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(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

2

Item 7. Financial Statements, Pro Forma Financial Information and  
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Exhibits  
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The following exhibit is furnished pursuant to Item 12: (99) Press

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Release, dated April 15, 2004 issued by Franklin Electric Co., Inc.

Item 12. Disclosure of Results of Operations and Financial Condition  
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The following information is furnished pursuant to Item 12,  
"Disclosure of Results of Operations and Financial Condition."

On April 15, 2004, Franklin Electric Co., Inc. issued a press release announcing its first-quarter 2004 earnings. A copy of the press release is attached hereto as Exhibit (99) and hereby incorporated by reference.

SIGNATURES  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FRANKLIN ELECTRIC CO., INC.  
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(Registrant)

Date April 15, 2004  
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By /s/ Gregg C. Sengstack  
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Gregg C. Sengstack, Senior Vice  
President, Chief Financial  
Officer and Secretary (Principal  
Financial and Accounting Officer)

3

Exhibit Index  
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EXHIBIT NO. (99) Press release, dated April 15, 2004 issued by  
Franklin Electric Co., Inc.

EXHIBIT 99

ADDITIONAL EXHIBITS

Press Release  
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For Immediate Release

For Further Information  
Refer to: Gregg C. Sengstack  
260-824-2900

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### FRANKLIN ELECTRIC COMPANY REPORTS RECORD INCOME AND SALES FOR THE FIRST QUARTER OF 2004

BLUFFTON, INDIANA - APRIL 15, 2004 -- Franklin Electric Co., Inc. (NASDAQ:FELE) reported record first quarter 2004 net income of \$5.1 million, an increase of 27 percent from \$4.0 million for the same period a year ago. Diluted earnings per share were a first quarter record \$0.45, a 25 percent increase from \$0.36 for the first quarter of 2003.

In the third quarter of 2003, the Company announced its global manufacturing realignment program. A program that - when substantially complete by the third quarter of 2005 - will result in moving a significant amount of production to lower cost regions of the world as well as a consolidation of certain manufacturing operations. As previously disclosed, the Company projected it will incur approximately \$10 million of pre-tax restructuring expenses as this program is implemented between the first quarter of 2004 and the fourth quarter of 2005. These one-time expenses primarily include: severance, relocation, training and the move of equipment. These expenses will be identified quarterly during the implementation period and are reflected as "Restructuring Expenses" in our income statement. Included in the above record results for the first quarter of 2004 are restructuring expenses of \$0.6 million pre-tax (\$0.4 million after tax).

Sales for 2004 were a first quarter record \$80.2 million, an increase of \$10.4 million or 15 percent from \$69.8 million for the same period a year ago. Foreign currencies, particularly the euro, strengthened relative to the U.S. dollar since the first quarter of 2003. The impact of this change in exchange rates was \$3.8 million increase in

4

the Company's reported first quarter 2004 sales from its operations outside of North America compared to the same period in 2003.

Operating earnings in the first quarter of 2004 were a record \$8.1 million, up \$2.3 million or 39 percent compared to \$5.8 million a year ago. The improvement in operating earnings was primarily driven by the record sales and was partially offset by the restructuring expenses discussed above and increased costs of certain commodities used in the manufacture of electric motors.

R. Scott Trumbull, Chairman and Chief Executive Officer, stated, "We are pleased with the broad based strengthening of our operations. Sales increased in essentially all of our end use and geographic markets. Our manufacturing realignment program is on schedule and on budget; and, our new product initiatives are proceeding as anticipated."

Sales of submersible motors in the North America market were up about 12 percent compared to the first quarter of 2003. Sales increased in both residential and agricultural end markets. Unit sales of the SubDrive(tm) family of electronic drive systems for water wells increased 282% from the same period for 2003 as the product line has been extended and demand continues to grow. The construction of the second phase of our new 150,000 sq. ft. Linares, Mexico motor manufacturing plant is complete and equipment is being put in place for the scheduled eighteen month ramp up of production to begin in the middle

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of this year.

Submersible motor sales outside North America were up about 5 percent (when comparing both quarters at the current year exchange rate). Sales were up in all significant end markets: Europa (Europe, the Middle East and North Africa), South Africa and Asia/Pacific. Expansion of our 80,000 sq. ft. manufacturing plant in Brno, Czech Republic, continued on schedule during the first quarter of 2004.

Fueling system product sales increased significantly compared to the first quarter of 2003 driven, in particular, by demand for submersible turbine pump and motor systems. Incon electronic monitoring sales contributed as well, up 84% compared to the same quarter last year. Our new 90,000 sq. ft. manufacturing and distribution facility in Madison, Wisconsin is under roof and the planned move of EBW, Advanced Polymer Technologies and FE Petro, to be completed in the next six months, is on schedule.

First quarter sales of industrial motor products increased modestly. During the quarter, the Company invested in sales training and promotion related to its new HydroDuty(tm) (patents pending) product line. These products have been well received and are currently being tested by many major food processors across the country. The Company will expand the HydroDuty(tm) product line offering this year.

5

Franklin Electric, a technical leader in electric motors, drives and controls, is the world's largest manufacturer of submersible water and fueling systems motors, a manufacturer of underground fueling systems hardware and flexible piping systems and a leader in engineered industrial motor products.

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"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. Any forward looking statements contained herein involve risks and uncertainties, including but not limited to, general economic and currency conditions, various conditions specific to the Company's business and industry, market demand, competitive factors, supply constraints, technology factors, government and regulatory actions, the Company's accounting policies, future trends, and other risks which are detailed in the Company's Securities and Exchange Commission filings. These risks and uncertainties may cause actual results to differ materially from those indicated by the forward-looking statements.

6

FRANKLIN ELECTRIC CO., INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	First Quarter Ended	
	April 3, 2004	March 29, 2003
	-----	-----
Net sales	\$80,207	\$69,778
Cost of sales	56,587	50,103
	-----	-----
Gross profit	23,620	19,675
Selling and administrative expenses	14,978	13,877
Restructuring expense	565	-
	-----	-----
Operating income	8,077	5,798
Interest expense	(106)	(337)
Other income	18	286
Foreign exchange gain / (loss)	(50)	451
	-----	-----
Income before income taxes	7,939	6,198
Income taxes	2,818	2,170
	-----	-----
Net income	\$ 5,121	\$ 4,028
	=====	=====
Net income per share:		
Basic	\$ 0.47	\$ 0.37
	=====	=====
Diluted	\$ 0.45	\$ 0.36
	=====	=====
Weighted average shares and equivalent shares outstanding:		
Basic	10,952	10,764

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Diluted	=====	=====
	11,415	11,230
	=====	=====

7

FRANKLIN ELECTRIC CO., INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)	April 3, 2004	Jan. 3, 2004
	-----	-----
ASSETS:		
Cash and equivalents	\$ 12,665	\$ 29,962
Receivables	33,023	29,194
Inventories	66,985	54,653
Other current assets	14,401	14,232
	-----	-----
Total current assets	127,074	128,041
Property, plant and equipment, net	83,225	83,916
Goodwill and other assets	72,349	70,014
	-----	-----
Total assets	\$282,648	\$281,971
	=====	=====

LIABILITIES AND SHAREOWNERS' EQUITY:

Current maturities of long-term debt and short-term borrowings	\$ 1,377	\$ 1,392
Accounts payable	15,640	15,958
Accrued liabilities	27,976	28,051
	-----	-----
Total current liabilities	44,993	45,401
Long-term debt	14,538	14,960
Deferred income taxes	4,354	4,354
Employee benefit plan obligations	18,038	18,697
Other long-term liabilities	5,619	5,621
Shareowners' equity	195,106	192,938
	-----	-----
Total liabilities and shareowners' equity	\$282,648	\$281,971
	=====	=====

8

FRANKLIN ELECTRIC CO., INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	April 3,	March 29,
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	2004	2003
	-----	
Cash flows from operating activities:		
Net income	\$ 5,121	\$ 4,028
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	3,878	3,329
Loss on disposals of plant and equipment	7	363
Changes in assets and liabilities:		
Receivables	(3,988)	1,023
Inventories	(12,987)	(13,620)
Accounts payable and other accrued expenses	1,089	(3,962)
Employee benefit plans	(4,264)	(3,666)
Other, net	(146)	16
	-----	
Net cash flows from operating activities	(11,290)	(12,489)
	-----	
Cash flows from investing activities:		
Additions to plant and equipment	(3,956)	(1,988)
Proceeds from sale of plant and equipment	-	214
Additions to deferred assets	(1)	(250)
	-----	
Net cash flows from investing activities	(3,957)	(2,024)
	-----	
Cash flows from financing activities:		
Borrowing on long-term debt	-	5,466
Repayment of long-term debt	(347)	(109)
Borrowing on line of credit and short-term borrowings	-	3,000
Repayment of line of credit and short-term borrowings	-	(6)
Proceeds from issuance of common stock	2,187	377
Purchases of common stock	(2,208)	(8,394)
Reduction of loan to ESOP Trust	232	233
Dividends paid	(1,538)	(1,396)
	-----	
Net cash flows from financing activities	(1,674)	(829)
	-----	
Effect of exchange rate changes on cash	(376)	361
	-----	
Net change in cash and equivalents	(17,297)	(14,981)
Cash and equivalents at beginning of period	29,962	20,133
	-----	
Cash and equivalents at end of period	\$ 12,665	\$ 5,152
	=====	