

JACUZZI BRANDS INC  
Form 8-K  
July 07, 2005

**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): June 30, 2005

**JACUZZI BRANDS, INC.**

(Exact Name of Registrant  
as Specified in Charter)

**DELAWARE**

(State or Other Jurisdiction of Incorporation)

**1-14557**

(Commission File Number)

**22-3568449**

(IRS Employer Identification No.)

**777 S. FLAGLER DRIVE, WEST TOWER,  
SUITE 1100, WEST PALM BEACH, FL**

(Address of Principal Executive Offices)

**33401**

(Zip Code)

Registrant's telephone number, including area code: **(561) 514-3838**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**Item 2.01 Completion of Acquisition or Disposition of Assets**

On June 30, 2005, Jacuzzi Brands, Inc. ( Jacuzzi ) completed the sale of their investment in Rexair, Inc. ( Rexair ) to Rhone Capital LLC ( Rhone ) in a transaction valued at \$170 million. Jacuzzi received \$149.2 million in cash and a 30% beneficial interest in Rexair s new parent company. We used \$97.4 million of the proceeds to retire the term loan and repay the balance of the asset-based credit facility. For more detailed information related to this transaction, see our Current Report on Form 8-K filed on May 10, 2005.

**Item 9.01 Financial Statements, Pro Forma Financial Information and Exhibits**

(a) not applicable

(b) Pro forma financial information

The accompanying unaudited financial statements have been furnished pursuant to Article 11 of Regulation S-X. In accordance with Article 11, the unaudited pro forma balance sheet as of April 2, 2005, the last day of our fiscal second quarter, presents Jacuzzi s financial position as if the sale of Rexair had occurred on that date. The unaudited pro forma consolidated statements of earnings for the six months ended April 2, 2005 and for the fiscal year ended October 2, 2004 present Jacuzzi s operating results as if the sale of Rexair had occurred at the beginning of the periods presented. Pro forma adjustments to reflect the sale have been applied to the historical balance sheet and statements of earnings. These adjustments are based upon available information and certain assumptions that management believes are reasonable under the circumstances. The adjustments are described in the notes to the pro forma financial statements and are set forth in the Pro Forma Adjustments columns.

The unaudited pro forma consolidated financial statements are presented for informational purposes only. They do not purport to represent what our results of operations or financial position would have been had this transaction occurred on the dates indicated, and do not necessarily project our financial position at any future date or our results of operations for any future period.

These pro forma financial statements should be read in conjunction with Jacuzzi s 2004 Annual Report on Form 10-K, filed on December 10, 2004.

**JACUZZI BRANDS, INC.**  
**PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS**  
**FISCAL YEAR ENDED OCTOBER 2, 2004**  
**(unaudited)**  
**(in millions, except per share amounts)**

|                                                          | <b>Historical<br/>(Restated)<br/>(1)</b> | <b>Pro Forma Adjustments<br/>Disposition<br/>of<br/>Rexair</b> | <b>Other<br/>Adjustments</b> | <b>Pro<br/>Forma</b> |
|----------------------------------------------------------|------------------------------------------|----------------------------------------------------------------|------------------------------|----------------------|
| Net sales                                                | \$ 1,347.2                               | \$ (104.8)                                                     | \$                           | \$ 1,242.4           |
| Operating costs and expenses:                            |                                          |                                                                |                              |                      |
| Cost of products sold                                    | 934.3                                    | (53.1)                                                         |                              | 881.2                |
| Selling, general and administrative expenses             | 294.1                                    | (24.4)                                                         |                              | 269.7                |
| Impairment, restructuring and other charges              | 22.3                                     |                                                                |                              | 22.3                 |
| Operating income                                         | 96.5                                     | (27.3)                                                         |                              | 69.2                 |
| Interest expense                                         | (50.6)                                   |                                                                | 3.9(a)                       | (46.7)               |
| Interest income                                          | 4.7                                      |                                                                |                              | 4.7                  |
| Other expense, net                                       | (3.2)                                    | 0.7                                                            | 3.2(b)                       | 0.7                  |
| Earnings before income taxes and discontinued operations | 47.4                                     | (26.6)                                                         | 7.1                          | 27.9                 |
| Provision for income taxes                               | (18.5)                                   | 9.4                                                            | (8.7)(c)                     | (17.8)               |
| Earnings from continuing operations                      | \$ 28.9                                  | \$ (17.2)                                                      | \$ (1.6)                     | \$ 10.1              |
| Earnings per share from continuing operations            |                                          |                                                                |                              |                      |
| Basic                                                    | \$ 0.39                                  |                                                                |                              | \$ 0.14              |
| Diluted                                                  | \$ 0.38                                  |                                                                |                              | \$ 0.13              |
| Basic weighted-average shares                            | 75.0                                     |                                                                |                              | 75.0                 |
| Diluted weighted-average shares                          | 75.7                                     |                                                                |                              | 75.7                 |

(1) Earnings from continuing operations were restated to reflect the change in accounting for our investment in Spear & Jackson as a result of the increase in our ownership percentage. As a result, earnings from continuing operations for the year ended October 2, 2004 decreased by \$0.2 million. Earnings per share from continuing operations were not impacted.

**NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS**

- a) This adjustment reflects the reduction of interest expense as a result of the debt pay down and the write-off of prepaid bank fees related to the term loan.
- b) Adjustment represents equity earnings on Jacuzzi's 30% ownership of Rexair's new parent company.

c) Tax impact of pro forma adjustments and the decrease in utilization of foreign tax credits.

3

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**JACUZZI BRANDS, INC.**  
**PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS**  
**SIX MONTHS ENDED APRIL 2, 2005**

(unaudited)

(in millions, except per share amounts)

|                                                          |                   | <b>Pro Forma Adjustments</b> |                    |              |
|----------------------------------------------------------|-------------------|------------------------------|--------------------|--------------|
|                                                          |                   | <b>Disposition</b>           | <b>Other</b>       |              |
|                                                          | <b>Historical</b> | <b>of</b>                    | <b>Adjustments</b> | <b>Pro</b>   |
|                                                          |                   | <b>Rexair</b>                |                    | <b>Forma</b> |
|                                                          | \$                | \$                           | \$                 | \$           |
| Net sales                                                | 650.7             | (51.4)                       |                    | 599.3        |
| Operating costs and expenses:                            |                   |                              |                    |              |
| Cost of products sold                                    | 455.7             | (26.4)                       |                    | 429.3        |
| Selling, general and administrative expenses             | 150.7             | (12.5)                       |                    | 138.2        |
| Restructuring charges                                    | 4.0               |                              |                    | 4.0          |
| Operating income                                         | 40.3              | (12.5)                       |                    | 27.8         |
| Interest expense                                         | (24.5)            |                              | 0.3(a)             | (24.2)       |
| Interest income                                          | 1.2               |                              |                    | 1.2          |
| Other expense, net                                       | (0.2)             |                              | 1.4(b)             | 1.2          |
| Earnings before income taxes and discontinued operations | 16.8              | (12.5)                       | 1.7                | 6.0          |
| (Provision for) benefit from income taxes                | (3.7)             | 4.5                          | (0.5) (c)          | 0.3          |
| Earnings from continuing operations                      | \$ 13.1           | \$ (8.0)                     | \$ 1.2             | \$ 6.3       |
| Earnings per share from continuing operations            |                   |                              |                    |              |
| Basic                                                    | \$ 0.17           |                              |                    | \$ 0.08      |
| Diluted                                                  | \$ 0.17           |                              |                    | \$ 0.08      |
| Basic weighted-average shares                            | 75.3              |                              |                    | 75.3         |
| Diluted weighted-average shares                          | 76.5              |                              |                    | 76.5         |

**NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS**

- a) This adjustment reflects the reduction of interest expense as a result of the debt pay down and the write-off of prepaid bank fees related to the term loan.
- b) Adjustment represents equity earnings on Jacuzzi's 30% ownership of Rexair's new parent company.
- c) Tax impact of pro forma adjustments.

**JACUZZI BRANDS, INC.**  
**PRO FORMA CONSOLIDATED BALANCE SHEET**  
**APRIL 2, 2005**  
**(unaudited)**  
**(in millions)**

|                                                | Historical        | Pro Forma Disposition<br>of<br>Rexair | Pro Forma Adjustments<br>Other<br>Adjustments | Pro<br>Forma      |
|------------------------------------------------|-------------------|---------------------------------------|-----------------------------------------------|-------------------|
| <b>ASSETS</b>                                  |                   |                                       |                                               |                   |
| Current assets:                                |                   |                                       |                                               |                   |
| Cash and cash equivalents                      | \$ 26.2           | \$ (0.6)                              | \$ 49.2(a)                                    | \$ 74.8           |
| Trade receivables, net                         | 244.9             | (6.6)                                 |                                               | 238.3             |
| Inventories                                    | 229.1             | (18.4)                                |                                               | 210.7             |
| Deferred income taxes                          | 30.0              |                                       |                                               | 30.0              |
| Assets held for sale                           | 2.6               |                                       |                                               | 2.6               |
| Other current assets                           | 39.4              | (0.8)                                 | 5.0(b)                                        | 43.6              |
| <br>                                           |                   |                                       |                                               |                   |
| Total current assets                           | 572.2             | (26.4)                                | 54.2                                          | 600.0             |
| <br>                                           |                   |                                       |                                               |                   |
| Restricted cash collateral account             |                   |                                       | 8.3(c)                                        | 8.3               |
| Property, plant and equipment, net             | 126.8             | (14.8)                                |                                               | 112.0             |
| Pension assets                                 | 150.6             |                                       | (2.4)(d)                                      | 148.2             |
| Insurance for asbestos claims                  | 171.0             |                                       |                                               | 171.0             |
| Goodwill                                       | 284.2             | (52.5)                                |                                               | 231.7             |
| Other intangibles, net                         | 59.1              | (59.1)                                |                                               |                   |
| Other non-current assets                       | 28.7              |                                       | 3.5(e)                                        | 32.2              |
| <br>                                           |                   |                                       |                                               |                   |
| <b>TOTAL ASSETS</b>                            | <b>\$ 1,392.6</b> | <b>\$ (152.8)</b>                     | <b>\$ 63.6</b>                                | <b>\$ 1,303.4</b> |
| <br><b>LIABILITIES AND STOCKHOLDERS EQUITY</b> |                   |                                       |                                               |                   |
| Current liabilities:                           |                   |                                       |                                               |                   |
| Notes payable                                  | \$ 20.2           | \$                                    | \$                                            | \$ 20.2           |
| Current maturities of long-term debt           | 29.7              |                                       | (28.2) (f)                                    | 1.5               |
| Trade accounts payable                         | 119.5             | (3.4)                                 |                                               | 116.1             |
| Income taxes payable                           | 20.8              |                                       |                                               | 20.8              |
| Accrued expenses and other current liabilities | 121.3             | (5.7)                                 |                                               | 115.6             |
| <br>                                           |                   |                                       |                                               |                   |
| Total current liabilities                      | 311.5             | (9.1)                                 | (28.2)                                        | 274.2             |
| <br>                                           |                   |                                       |                                               |                   |
| Long-term debt                                 | 440.9             |                                       | (57.4) (f)                                    | 383.5             |
| Deferred income taxes                          | 23.3              | (21.6)                                |                                               | 1.7               |
| Asbestos claims                                | 171.0             |                                       |                                               | 171.0             |
| Other non-current liabilities                  | 134.5             | (2.0)                                 | 5.0(g)                                        | 137.5             |



|                                                      |                   |                   |                |                   |
|------------------------------------------------------|-------------------|-------------------|----------------|-------------------|
| Total liabilities                                    | 1,081.2           | (32.7)            | (80.6)         | 967.9             |
| Commitments and contingencies                        |                   |                   |                |                   |
| Stockholders' equity                                 | 311.4             | (120.1)           | 144.2(h)       | 335.5             |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS<br/>EQUITY</b> | <b>\$ 1,392.6</b> | <b>\$ (152.8)</b> | <b>\$ 63.6</b> | <b>\$ 1,303.4</b> |

**JACUZZI BRANDS, INC.**  
**NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET**  
**(in millions)**

- a) Represents remaining net cash proceeds from the sale of Rexair.
- b) Reflects cash placed in escrow for indemnification of environmental claims.
- c) Reflects the portion of the sale proceeds deposited into a restricted cash collateral account for the benefit of the bond holders.
- d) Represents pension curtailment charge.
- e) Reflects Jacuzzi's 30% investment in Rexair's new parent, net of the write-off of term loan prepaid bank fees.
- f) Reflects the portion of net sale proceeds used to pay down Jacuzzi's term loan and asset-based credit facility.
- g) Represents liability for indemnification of environmental claims.
- h) Includes net cash proceeds less liabilities assumed.