

Mueller Water Products, Inc.  
Form 10-Q  
August 09, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-32892

**MUELLER WATER PRODUCTS, INC.**

(Exact name of registrant as specified in its charter)

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

1200 Abernathy Road N.E.

Suite 1200

**20-3547095**  
(I.R.S. Employer  
Identification No.)

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Atlanta, GA 30328

(Address of principal executive offices)

(770) 206-4200

(Registrant's telephone number, including area code)

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 smaller reporting company. See the 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

There were 154,564,828 shares of Series A common stock of the registrant outstanding at July 31, 2010.

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	<b>June 30, 2010</b>	<b>September 30, 2009</b>
	<b>(in millions)</b>	
<b>Assets:</b>		
Cash and cash equivalents	\$ 77.1	\$ 61.5
Receivables, net	213.2	216.3
Inventories	275.9	342.8
Deferred income taxes	27.1	30.8
Assets held for sale		13.9
Other current assets	58.8	80.8
<b>Total current assets</b>	<b>652.1</b>	<b>746.1</b>
Property, plant and equipment, net	266.7	296.4
Identifiable intangible assets, net	640.0	663.6
Other noncurrent assets	30.2	33.4
<b>Total assets</b>	<b>\$ 1,589.0</b>	<b>\$ 1,739.5</b>
<b>Liabilities and stockholders' equity:</b>		
Current portion of long-term debt	\$ 10.5	\$ 11.7
Accounts payable	91.2	111.7
Other current liabilities	79.4	97.4
<b>Total current liabilities</b>	<b>181.1</b>	<b>220.8</b>
Long-term debt	682.2	728.5
Deferred income taxes	160.3	180.0
Other noncurrent liabilities	162.1	173.9
<b>Total liabilities</b>	<b>1,185.7</b>	<b>1,303.2</b>
<b>Commitments and contingencies (Note 13)</b>		
Series A common stock: 600,000,000 shares authorized; 154,561,095 shares and 153,790,887 shares outstanding at June 30, 2010 and September 30, 2009, respectively	1.5	1.5
Additional paid-in capital	1,598.4	1,599.0
Accumulated deficit	(1,116.5)	(1,078.3)
Accumulated other comprehensive loss	(80.1)	(85.9)
<b>Total stockholders' equity</b>	<b>403.3</b>	<b>436.3</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,589.0</b>	<b>\$ 1,739.5</b>

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The accompanying notes are an integral part of the condensed consolidated financial statements.

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(in millions, except per share amounts)</b>			
Net sales	\$ 375.9	\$ 363.2	\$ 990.8	\$ 1,053.1
Cost of sales	305.3	305.4	826.1	865.4
<b>Gross profit</b>	<b>70.6</b>	<b>57.8</b>	<b>164.7</b>	<b>187.7</b>
Operating expenses:				
Selling, general and administrative	57.2	62.4	163.0	184.7
Impairment				970.9
Restructuring	0.9	3.9	11.8	45.9
<b>Total operating expenses</b>	<b>58.1</b>	<b>66.3</b>	<b>174.8</b>	<b>1,201.5</b>
<b>Income (loss) from operations</b>	<b>12.5</b>	<b>(8.5)</b>	<b>(10.1)</b>	<b>(1,013.8)</b>
Interest expense, net	15.8	17.2	47.4	51.1
Loss on early extinguishment of debt		2.3	0.5	0.8
<b>Loss before income taxes</b>	<b>(3.3)</b>	<b>(28.0)</b>	<b>(58.0)</b>	<b>(1,065.7)</b>
Income tax expense (benefit)	0.5	(9.0)	(19.8)	(79.9)
<b>Net loss</b>	<b>\$ (3.8)</b>	<b>\$ (19.0)</b>	<b>\$ (38.2)</b>	<b>\$ (985.8)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.16)</b>	<b>\$ (0.25)</b>	<b>\$ (8.52)</b>
<b>Basic and diluted weighted average shares outstanding</b>	<b>154.5</b>	<b>116.0</b>	<b>154.3</b>	<b>115.7</b>
<b>Dividends declared per share</b>	<b>\$ 0.0175</b>	<b>\$ 0.0175</b>	<b>\$ 0.0525</b>	<b>\$ 0.0525</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

**NINE MONTHS ENDED JUNE 30, 2010**

**(UNAUDITED)**

	Series A common stock	Additional paid-in capital	Accumu- lated deficit (in millions)	Accumulated other comprehensive loss	Total
Balance at September 30, 2009	\$ 1.5	\$ 1,599.0	\$ (1,078.3)	\$ (85.9)	\$ 436.3
Net loss			(38.2)		(38.2)
Dividends declared		(8.1)			(8.1)
Stock-based compensation		6.7			6.7
Stock issued under stock compensation plans		0.8			0.8
Net unrealized gain on derivatives				0.6	0.6
Foreign currency translation				2.5	2.5
Minimum pension liability				2.7	2.7
Balance at June 30, 2010	\$ 1.5	\$ 1,598.4	\$ (1,116.5)	\$ (80.1)	\$ 403.3

The accompanying notes are an integral part of the condensed consolidated financial statements.

**MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Nine months ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(in millions)</b>	
<b>Operating activities:</b>		
Net loss	\$ (38.2)	\$ (985.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	39.9	45.4
Amortization	23.4	22.9
Impairment and non-cash restructuring	6.1	1,009.4
Loss on early extinguishment of debt	0.5	0.8
Stock-based compensation	6.7	10.1
Deferred income taxes	(20.3)	(63.7)
Gain on disposal of assets	(4.9)	(3.0)
Other, net	4.9	15.3
Changes in assets and liabilities:		
Receivables	(10.0)	77.1
Inventories	46.5	70.3
Other assets	24.2	(24.8)
Accounts payable and other liabilities	(43.1)	(105.7)
<b>Net cash provided by operating activities</b>	<b>35.7</b>	<b>68.3</b>
<b>Investing activities:</b>		
Capital expenditures	(21.4)	(22.7)
Acquisition of technology		(8.7)
Proceeds from sales of assets	54.5	4.4
<b>Net cash provided by (used in) investing activities</b>	<b>33.1</b>	<b>(27.0)</b>
<b>Financing activities:</b>		
Increase in outstanding checks	0.6	4.4
Debt borrowings		539.4
Debt paid or repurchased	(47.5)	