

Edgar Filing: FRANKLIN ELECTRIC CO INC - Form 8-K

FRANKLIN ELECTRIC CO INC  
Form 8-K  
July 15, 2005

UNITED STATES  
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) JULY 15, 2005  
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FRANKLIN ELECTRIC CO., INC.  
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(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

INDIANA ----- (STATE OR OTHER JURISDICTION OF INCORPORATION)	0-362 ----- (COMMISSION FILE NUMBER)	35-0827455 ----- (I.R.S. EMPLOYER IDENTIFICATION NO.)
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400 EAST SPRING STREET BLUFFTON, INDIANA ----- (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	46714 ----- (ZIP CODE)
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(260) 824-2900  
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(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NOT APPLICABLE  
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(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:

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))

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Item 2.02 Results of Operations and Financial Condition  
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The following information is furnished pursuant to Item 2.02 "Results of Operations and Financial Condition."

On July 15, 2005, Franklin Electric Co., Inc. issued a press release announcing its second-quarter 2005 earnings. A copy of the press release is attached hereto as Exhibit (99) and hereby incorporate by reference.

Item 9.01 Financial Statements and Exhibits  
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The following information is furnished pursuant to Item 9.01, "Financial Statements and Exhibits": (99) Press Release, dated July 15, 2005 issued by Franklin Electric Co., Inc.

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 July 15, 2005  
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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)

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Exhibit Index  
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EXHIBIT NO. (99) Press release, dated July 15, 2005 issued by Franklin Electric Co., Inc.

ADDITIONAL EXHIBITS

Press Release

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For Immediate Release

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

FRANKLIN ELECTRIC COMPANY  
REPORTS RECORD INCOME AND SALES  
FOR THE SECOND QUARTER OF 2005

BLUFFTON, INDIANA - JULY 15, 2005 -- Franklin Electric Co., Inc. (NASDAQ:FELE) reported record second quarter 2005 net income of \$13.5 million, an increase of 25 percent from \$10.9 million for the same period a year ago. Diluted earnings per share were \$0.59 compared to \$0.48 for the second quarter of 2004.

Sales for 2005 were also a second quarter record \$123.5 million, an increase of \$17.4 million or about 16 percent from \$106.1 million for the same period a year ago. Foreign exchange rates accounted for \$1.1 million of the increase.

Operating earnings in the second quarter of 2005 were a record \$20.9 million, up \$3.8 million or 22 percent compared to \$17.1 million a year ago. The improvement in operating earnings was primarily driven by the record sales and was partially offset by the increased costs of certain commodities used in the manufacture of electric motors and costs incurred in connection with the company's distribution channel strategy change and the global manufacturing realignment program.

R. Scott Trumbull, Chairman and Chief Executive Officer, stated, "We are pleased with our second quarter financial results as well as with the sales mix that we are achieving. During 2004, 40 percent of our sales were to two major pump OEMs, while this year these two customers accounted for about one quarter of our sales. As our distributor pump and motor sales continue to grow rapidly, we expect the major pump OEM customers will continue to represent a smaller portion of our overall sales mix.

Also, as we continue the implementation of our Global Manufacturing Realignment Program, our production mix is improving. In the second quarter of this year about 22 percent of our global water systems manufacturing man-hours were in low cost countries (Mexico, Czech Republic, and China) versus about 13 percent in second quarter last year. This percentage will increase significantly during the balance of 2005 and 2006 as we continue to ramp up our motor and component manufacturing in these countries. Also, during the

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second quarter this year we broke ground on a new pump manufacturing facility located adjacent to our motor plant in Linares, Mexico."

Water system product sales worldwide were up about 21 percent compared to the second quarter of 2004. The growth was attributable to increasing unit sales of pumps and motors, as well as improved sales mix due to growing volume sold directly to distributors. During the quarter Franklin introduced 3 new pump brands-SCHAEFER(tm), AQUADUTY(tm), and J-CLASS(tm). The company is in the process of establishing nationwide distributor networks for each of these brands.

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Fueling system product sales worldwide during the second quarter, recovering from a soft first quarter, were comparable to the same period in the prior year. During the second quarter Franklin Fueling Systems introduced its new electronic tank gauging and monitoring product (TS-5 SERIES). The new product is being performance tested by major petroleum marketers worldwide.

Franklin Electric is a global leader in the production and marketing of groundwater and fuel pumping systems and is a technical leader in submersible motors, drives, controls, and monitoring devices.

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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, changes in distribution channels, supply constraints, technology factors, litigation, 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.

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

(In thousands, except per share amounts)

	Second Quarter Ended		First Half Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Net sales	\$123,537	\$106,144	\$205,971	\$186,351
Cost of sales	82,117	71,632	139,072	128,219
Gross profit	41,420	34,512	66,899	58,132

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Selling and administrative expenses	19,976	16,003	36,248	30,981
Restructuring expense	505	1,387	710	1,952
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Operating income	20,939	17,122	29,941	25,199
Interest expense	(183)	(93)	(355)	(199)
Other income	190	10	341	28
Foreign exchange gain/(loss)	(43)	(174)	(32)	(224)
	-----	-----	-----	-----
Income before income taxes	20,903	16,865	29,895	24,804
Income taxes	7,358	5,987	10,539	8,805
	-----	-----	-----	-----
Net income	\$ 13,545	\$10,878	\$ 19,356	\$ 15,999
	=====	=====	=====	=====
Net income per share:				
Basic	\$ 0.61	\$ 0.50	\$ 0.88	\$ 0.73
	=====	=====	=====	=====
Diluted	\$ 0.59	\$ 0.48	\$ 0.84	\$ 0.70
	=====	=====	=====	=====
Weighted average shares and equivalent shares outstanding:				
Basic	22,040	21,952	22,090	21,928
	=====	=====	=====	=====
Diluted	22,994	22,897	23,127	22,864
	=====	=====	=====	=====

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FRANKLIN ELECTRIC CO., INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)	July 2, 2005	Jan. 1, 2005
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ASSETS:		
Cash and equivalents	\$ 25,480	\$ 50,604
Investments	15,525	-
Receivables	47,249	39,312
Inventories	75,772	62,442
Other current assets	14,378	13,784
	-----	-----
Total current assets	178,404	166,142
Property, plant and equipment, net	89,492	95,924
Goodwill and other assets	69,188	71,407
	-----	-----
Total assets	\$337,084	\$333,473

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LIABILITIES AND SHAREOWNERS' EQUITY:		
Current maturities of long-term debt and short-term borrowings	\$ 1,269	\$ 1,304
Accounts payable	17,603	16,594
Accrued liabilities	38,320	36,547
	-----	-----
Total current liabilities	57,192	54,445
Long-term debt	13,271	13,752
Deferred income taxes	6,998	6,304
Employee benefit plan obligations	18,467	18,801
Other long-term liabilities	5,770	5,838
Shareowners' equity	235,386	234,333
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Total liabilities and shareowners' equity	\$337,084	\$333,473
	=====	=====

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

(In thousands)	July 2, 2005	July 3, 2004
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Cash flows from operating activities:		
Net income	\$ 19,356	\$ 15,999
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	7,783	7,758
Deferred income taxes	694	-
Loss on disposals of plant and equipment	51	7
Changes in assets and liabilities:		
Receivables	(9,244)	(8,163)
Inventories	(16,879)	(12,904)
Accounts payable and other accrued expenses	6,879	12,258
Employee benefit plans	451	(3,713)
Other, net	(234)	1,173
	-----	-----
Net cash flows from operating activities	8,857	12,415
	-----	-----
Cash flows from investing activities:		

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Additions to plant and equipment	(5,569)	(10,110)
Proceeds from sale of plant and equipment	1,048	-
Additions to deferred assets	(1,005)	(5)
Cash paid for securities	(93,500)	-
Proceeds from sale of securities	77,975	-
	-----	-----
Net cash flows from investing activities	(21,051)	(10,115)
	-----	-----
Cash flows from financing activities:		
Repayment of long-term debt	(142)	(414)
Proceeds from issuance of common stock	4,356	3,034
Purchases of common stock	(12,318)	(3,091)
Reduction of loan to ESOP Trust	233	232
Dividends paid	(3,970)	(3,296)
	-----	-----
Net cash flows from financing activities	(11,841)	(3,535)
	-----	-----
Effect of exchange rate changes on cash	(1,089)	121
	-----	-----
Net change in cash and equivalents	(25,124)	(1,114)
Cash and equivalents at beginning of period	50,604	29,962
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Cash and equivalents at end of period	\$ 25,480	\$ 28,848
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