

SNAP ON INC
Form 10-Q
July 25, 2007

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 **June 30, 2007**

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 1-7724

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

39-0622040
(I.R.S. Employer Identification No.)

2801 80th Street, Kenosha, Wisconsin
(Address of principal executive offices)

53143
(Zip code)

(262) 656-5200

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Edgar Filing: SNAP ON INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at July 20, 2007
Common Stock, \$1.00 par value	57,972,816 shares

TABLE OF CONTENTS

Part I: Financial Information

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Condensed Consolidated Statements of Earnings – Three and Six Months Ended June 30, 2007, and July 1, 2006

Condensed Consolidated Balance Sheets – June 30, 2007, and December 30, 2006

Condensed Consolidated Statements of Cash Flows – Six Months Ended June 30, 2007, and July 1, 2006

Notes to Condensed Consolidated Financial Statements

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

Part II: Other Information

Item 1. Legal Proceedings

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits

Signatures

Exhibit Index

SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Amounts in millions, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Net sales	\$ 711.9	\$ 621.7	\$ 1,417.6	\$ 1,209.0
Cost of goods sold	(389.5)	(341.8)	(785.3)	(670.5)
Gross profit	322.4	279.9	632.3	538.5
Financial services revenue	14.8	11.7	28.2	22.9
Financial services expenses	(9.7)	(8.7)	(19.4)	(17.9)
Operating income from financial services	5.1	3.0	8.8	5.0
Operating expenses:				
Selling, general and administrative	(240.1)	(224.9)	(485.0)	(446.9)
Litigation settlement		(38.0)		(38.0)
Total operating expenses	(240.1)	(262.9)	(485.0)	(484.9)
Operating earnings	87.4	20.0	156.1	58.6
Interest expense	(11.7)	(4.7)	(23.0)	(9.1)
Other income (expense) net	2.5	0.3	2.7	(0.9)
Earnings from continuing operations	78.2	15.6	135.8	48.6
Income tax expense	(25.4)	(3.9)	(45.0)	(15.6)
Net earnings from continuing operations	52.8	11.7	90.8	33.0
Discontinued operations, net of tax	(9.0)	0.1	(8.0)	0.9
Net earnings	\$ 43.8	\$ 11.8	\$ 82.8	\$ 33.9
Basic earnings per common share:				
Earnings per share, continuing operations	\$ 0.91	\$ 0.20	\$ 1.56	\$ 0.56
Earnings (loss) per share, discontinued operations	(0.16)		(0.14)	0.02
Net earnings per share	\$ 0.75	\$ 0.20	\$ 1.42	\$ 0.58
Diluted earnings per common share:				
Earnings per share, continuing operations	\$ 0.90	\$ 0.20	\$ 1.54	\$ 0.56
Earnings (loss) per share, discontinued operations	(0.16)		(0.14)	0.02
Net earnings per share	\$ 0.74	\$ 0.20	\$ 1.40	\$ 0.58
Weighted-average shares outstanding:				
Basic	58.1	58.2	58.2	58.2
Effect of dilutive options	0.7	0.7	0.7	0.7
Diluted	58.8	58.9	58.9	58.9
Dividends declared per common share	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54

See notes to Condensed Consolidated Financial Statements

SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except share data)

(Unaudited)

	June 30, 2007	December 30, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 72.0	\$ 63.4
Accounts receivable net of allowances	561.2	559.2
Inventories	323.9	323.0
Deferred income tax benefits	67.5	76.0
Prepaid expenses and other assets	78.8	91.6
Total current assets	1,103.4	1,113.2
Property and equipment		
Land	23.9	24.3
Buildings and improvements	231.6	236.7
Machinery and equipment	539.8	540.9
	795.3	801.9
Accumulated depreciation and amortization	(501.7) (504.8
Property and equipment net	293.6	297.1
Deferred income tax benefits	58.8	55.3
Goodwill	786.0	776.1
Other intangibles net	242.8	257.8
Pension assets	14.4	14.0
Other assets	161.3	141.0
Total assets	\$ 2,660.3	\$ 2,654.5

See notes to Condensed Consolidated Financial Statements

SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except share data)

(Unaudited)

	June 30, 2007	December 30, 2006
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 185.3	\$ 178.8
Notes payable and current maturities of long-term debt	19.7	43.6
Accrued benefits	40.5	41.4
Accrued compensation	73.7	90.4
Franchisee deposits	46.4	48.5
Deferred subscription revenue	25.1	25.3
Income taxes	23.6	37.8
Other accrued liabilities	209.4	216.2
Total current liabilities	623.7	682.0
Long-term debt	501.4	505.6
Deferred income taxes	83.7	88.9
Retiree health care benefits	67.9	69.6
Pension liabilities	120.1	113.9
Other long-term liabilities	126.5	118.2
Total liabilities	1,523.3	1,578.2
Shareholders' equity		
Preferred stock (authorized 15,000,000 shares of \$1 par value; none outstanding)		
Common stock (authorized 250,000,000 shares of \$1 par value; issued 67,095,354 and 67,081,801 shares)	67.1	67.1
Additional paid-in capital	129.7	121.9
Retained earnings	1,231.4	1,180.3
Accumulated other comprehensive income (loss)	46.9	21.2
Grantor Stock Trust at fair market value (zero and 407,485 shares)		(19.4)
Treasury stock at cost (9,168,225 and 8,503,482 shares)	(338.1)	(294.8)
Total shareholders' equity	1,137.0	1,076.3
Total liabilities and shareholders' equity	\$ 2,660.3	\$ 2,654.5

See notes to Condensed Consolidated Financial Statements

SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

(Unaudited)

	Six Months Ended June 30, 2007	July 1, 2006
Operating activities:		
Net earnings	\$ 82.8	