

WATTS WATER TECHNOLOGIES INC

FORM 8-K (Unscheduled Material Events)

Filed 11/5/2003 For Period Ending 11/4/2003

Address	815 CHESTNUT ST NORTH ANDOVER, Massachusetts 01845
Telephone	978-688-1811
CIK	0000795403
Industry	Misc. Fabricated Products
Sector	Basic Materials
Fiscal Year	12/31

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): November 4, 2003

Watts Water Technologies, Inc.

(Exact name of registrant as specified in charter)

Delaware

1-11499

04-2916536

(State or other juris-
diction of incorporation

(Commission
File Number)

(IRS Employer
Identification No.)

815 Chestnut Street, North Andover, MA 01845
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (978) 688-1811

(Former name or former address, if changed since last report)

Item 12. Results of Operations and Financial Condition

On November 4, 2003, Watts Water Technologies, Inc. announced its financial results for the quarter ended September 30, 2003. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURE

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 hereunto duly authorized.

Date: November 5, 2003

WATTS WATER TECHNOLOGIES, INC.

By: /s/ William C. McCartney

William C. McCartney
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press release dated November 4, 2003

Exhibit 99.1

FOR IMMEDIATE RELEASE Contact: William C. McCartney ----- Chief Financial Officer

Telephone: (978) 688-1811 Fax: (978) 688-2976

WATTS WATER TECHNOLOGIES REPORTS THIRD QUARTER RESULTS

North Andover, MA...November 4, 2003. Watts Water Technologies, Inc. (NYSE Symbol "WTS") today announced results for the quarter ended September 30, 2003. For the three-month period ended September 30, 2003, sales were \$175,509,000, an increase of \$15,698,000, or 10%, from the three-month period ended September 30, 2002. Net income for the three-month period ended September 30, 2003, was \$8,905,000, or \$0.32 per share, which includes a net loss from discontinued operations of \$114,000, compared to net income of \$8,773,000, or \$0.32 per share, for the three-month period ended September 30, 2002. Income from continuing operations for the three-month period ended September 30, 2003, was \$9,019,000, or \$0.33 per share, compared to income from continuing operations for the three-month period ended September 30, 2002 of \$8,773,000, or \$.32 per share, which includes \$398,000 of after-tax costs, or \$0.02 per share, incurred for our manufacturing restructuring plan.

Sales for the nine-month period ended September 30, 2003, increased 13% to \$514,713,000 from \$454,636,000 for the nine-month period ended September 30, 2002. Net income for the nine-month period ended September 30, 2003 was \$23,621,000, or \$0.86 per share, which includes a net loss from discontinued operations of \$3,014,000, or \$0.11 per share, compared to \$25,462,000, or \$0.94 per share, for the nine-month period ended September 30, 2002. Income from continuing operations increased \$1,173,000, or 5% to \$26,635,000 for the nine-month period ended September 30, 2003 compared to \$25,462,000 for the nine-month period ended September 30, 2002.

Excluding the costs incurred for our manufacturing restructuring plan from both periods, income from continuing operations increased \$383,000, or 1%, to \$27,275,000, or \$0.99 per share, for the nine-month period ended September 30, 2003 compared to \$26,892,000, or \$0.99 per share, for the nine-month period ended September 30, 2002. Please refer to the table included at the end of this press release for a reconciliation of reported net income to adjusted income from continuing operations.

Patrick S. O'Keefe, Chief Executive Officer, commented, "We are pleased with our North American and European results for the third quarter of 2003. These strong results were partially offset by inventory write-downs and other net adjustments in our Chinese segment. Our overall increase in sales was achieved by the change in foreign exchange rates, organic growth and contributions from acquired companies. On a consolidated basis, the change in foreign

exchange rates for the three-month period ended September 30, 2003 increased our sales by \$7,509,000, over the three-month period ended September 30, 2002, due primarily to the strengthening of the euro versus the U.S. dollar. On a consolidated basis we achieved an organic growth rate of 4% for the three-month period ended September 30, 2003 over three-month period ended September 30, 2002, which represents \$6,523,000 of increased sales. Our acquisition program contributed \$1,666,000 of sales for the three-month period ended September 30, 2003, derived from the recent acquisitions of Martin Orgee and Giuliani Anello, both European based companies."

Mr. O'Keefe continued, "Our North American segment had an increase in sales for the three-month period ended September 30, 2003 of 6% to \$121,001,000 compared to \$114,136,000 for the three-month period ended September 30, 2002. This increase in North American sales over the three-month period ended September 30, 2002 was achieved through the combination of organic sales growth of 5%, or \$5,825,000, and favorable foreign exchange rates associated with the strengthening of the Canadian dollar versus the U.S. dollar, which had the effect of increasing sales by \$1,041,000. Sales into the North American home improvement retail market for the three-month period ended September 30, 2003 increased by 11% with total sales of \$33,468,000 compared to \$30,055,000 for the three-month period ended September 30, 2002. Sales into the North American wholesale market for the three-month period ended September 30, 2003 increased 4% to \$87,533,000 compared to \$84,081,000 for the three-month period ended September 30, 2002. This increase was primarily due to improved sales of our well-known backflow prevention line."

Mr. O'Keefe continued, "We derived 29% of our total sales for the three-month period ended September 30, 2003 from Europe compared to 24% in the three-month period ended September 30, 2002. Sales in Europe for the three-month period ended September 30, 2003 increased 29% compared to the three-month period ended September 30, 2002, due to the favorable change in foreign exchange rates, an internal growth rate of 9%, and the inclusion of acquisitions consummated during 2003. On April 18, 2003 we acquired Martin Orgee U.K. Ltd. located in Kidderminster, West Midlands, United Kingdom, and on July 30, 2003, we acquired Giuliani Anello S.r.l. located in Bologna, Italy. These European acquisitions contributed \$1,666,000 of sales during the three-month period ended September 30, 2003. The euro has appreciated approximately 15% versus the three-month period ended September 30, 2002 resulting in a positive impact on European sales of \$6,468,000 and on income of \$0.02 per share in the three-month period ended September 30, 2003.

Mr. O'Keefe also commented, "As we discussed at the end of our second quarter of 2003, we had experienced a delay in production at our new wholly-owned manufacturing plant in Tianjin, China. We have experienced some increase in the production levels from this factory during the third quarter of 2003, however the under-absorption of manufacturing costs caused by this delay had an adverse impact of \$.02 per share in the three-month period ended September 30, 2003. The results of the three-month period ended September 30, 2003 also include the

impact of inventory write-downs and other net adjustments at our TWT joint venture in Tianjin which reduced income by \$0.03 per share."

During the three-month period ended September 30, 2003, the Company recorded an after-tax charge of \$114,000, or \$0.01 per share, to discontinued operations. This charge is primarily attributable to legal fees associated with the James Jones litigation that is now treated as a discontinued operation.

On July 30, 2003 a wholly-owned subsidiary of the Company acquired Giuliani Anello located in Bologna, Italy for approximately \$12 million in cash. Giuliani Anello manufactures and distributes valves and filters utilized in heating applications including strainer filters, solenoid valves, flow stop valves, stainless steel water filter elements and steam cleaning filters. Giuliani Anello's annual sales, prior to the acquisition, were \$7 million at the exchange rate in effect as of the closing date.

To supplement our unaudited consolidated financial statements presented on a generally accepted accounting principles (GAAP) basis, we sometimes use non-GAAP measures of net income, net income per share, income from continuing operations or income from continuing operations per share that we believe are appropriate to enhance an overall understanding of our historical financial performance and future prospects. The non-GAAP results, which are adjusted to exclude certain costs, expenses, gains and losses from the comparable GAAP measures, are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside of our core operating results. These non-GAAP results are among the primary indicators management uses as a basis for evaluating our financial performance as well as for forecasting of future periods. For these reasons, management believes these non-GAAP measures can be useful to investors, potential investors and others. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or income per share prepared in accordance with GAAP.

This Press Release may include statements which are not historical facts and are considered forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect Watts Water Technologies' current views about future results of operations and other forward-looking information. You should not rely on forward-looking statements because Watts' actual results may differ materially from those indicated by these forward-looking statements as a result of a number of important factors. These factors include, but are not limited to, the following: loss of market share through competition, introduction of competing products by other companies, pressure on prices from competitors, suppliers, and/or customers, failure or delay in developing new products, lack of acceptance of new products, failure to manufacture products that meet required performance and safety standards, foreign exchange fluctuations, cyclicality of industries, such as plumbing and heating wholesalers and home improvement retailers, in which the Company markets certain of its products, reductions in the supply of raw materials, increases in the prices of raw materials, economic factors, such as the levels of housing starts and remodeling, impacting the markets

where the Company's products are sold, manufactured, or marketed, environmental compliance costs, product liability risks, the results and timing of the Company's manufacturing restructuring plan, changes in the status of current litigation, including the James Jones case, and other risks and uncertainties discussed under the heading "Certain Factors Affecting Future Results" in Watts' Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Securities Exchange Commission and other reports Watts files from time to time with the Securities and Exchange Commission. Watts does not intend to and undertakes no duty to update the information contained in this Press Release.

Watts Water Technologies, Inc. designs, manufactures and sells an extensive line of valves and other products to the water quality and water regulation and control markets.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENT
(Thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
STATEMENTS OF INCOME				
Net sales	\$ 175,509	\$ 159,811	\$ 514,713	\$ 454,636
Income from continuing operations ..	\$ 9,019	\$ 8,773	\$ 26,635	\$ 25,462
Loss from discontinued operations ..	(114)	--	(3,014)	--
	\$ 8,905	\$ 8,773	\$ 23,621	\$ 25,462
Net income	\$ 8,905	\$ 8,773	\$ 23,621	\$ 25,462
DILUTED EARNINGS PER SHARE				
Weighted Average Number of Common Shares & Equivalents	27,632	27,249	27,428	27,112
Earnings per Share:				
Continuing operations	\$ 0.33	\$ 0.32	\$ 0.97	\$ 0.94
Discontinued operations	(0.01)	--	(0.11)	--
	\$ 0.32	\$ 0.32	\$ 0.86	\$ 0.94
Net income	\$ 0.32	\$ 0.32	\$ 0.86	\$ 0.94
Cash dividends per share	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.18

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands, except share amounts)

(Unaudited)

	September 30, 2003	December 31, 2002
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 39,618	\$ 10,973
Restricted treasuries	78,016	--
Trade accounts receivable, less allowance for doubtful accounts of \$7,721 at September 30, 2003 and \$7,322 at December 31, 2002	147,712	123,504
Inventories:		
Raw materials	44,808	40,591
Work in process	22,303	17,289
Finished goods	83,939	75,535
	-----	-----
Total Inventories	151,050	133,415
Prepaid expenses and other assets	13,401	10,732
Deferred income taxes	24,369	21,927
Net assets held for sale	1,940	2,464
	-----	-----
Total Current Assets	456,106	303,015
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost	271,846	248,933
Accumulated depreciation	(132,563)	(114,557)
	-----	-----
Property, plant and equipment, net	139,283	134,376
	-----	-----
OTHER ASSETS:		
Goodwill	177,916	163,226
Other	30,979	28,114
	-----	-----
TOTAL ASSETS	\$ 804,284	\$ 628,731
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 60,125	\$ 64,704
Accrued expenses and other liabilities	70,628	69,202
Accrued compensation and benefits	16,175	15,514
Current portion of long-term debt	88,338	82,211
	-----	-----
Total Current Liabilities	235,266	231,631
	-----	-----
LONG-TERM DEBT, NET OF CURRENT PORTION	189,203	56,276
DEFERRED INCOME TAXES	17,162	15,011
OTHER NONCURRENT LIABILITIES	20,987	19,743
MINORITY INTEREST	9,784	10,134
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$.10 par value; 5,000,000 shares authorized; no shares issued or outstanding	--	--
Class A Common Stock, \$.10 par value; 80,000,000 shares authorized; 1 vote per share; issued and outstanding: 19,563,281 shares at September 30, 2003 and 18,863,482 shares at December 31, 2002	1,956	1,886
Class B Common Stock, \$.10 par value; 25,000,000 shares authorized; 10 votes per share; issued and outstanding: 7,805,224 shares at September 30, 2003 and 8,185,224 shares at December 31, 2002	781	819
Additional paid-in capital	49,256	45,132
Retained earnings	278,583	259,893
Accumulated other comprehensive income/(loss)	1,305	(11,794)
	-----	-----
Total Stockholders' Equity	331,881	295,936
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 804,283	\$ 628,731
	=====	=====

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales	\$ 175,509	\$ 159,811	\$ 514,713	\$ 454,636
Cost of goods sold	116,136	106,304	341,011	299,418
	59,373	53,507	173,702	155,218
GROSS PROFIT				
Selling, general & administrative expenses	41,396	37,532	123,361	109,897
Restructuring	--	208	114	218
	17,977	15,767	50,227	45,103
OPERATING INCOME				
Other (income) expense:				
Interest income	(362)	(122)	(744)	(578)
Interest expense	3,659	2,447	8,563	6,576
Other, net	23	(39)	(129)	(164)
Minority interest	(410)	156	(448)	262
	2,910	2,442	7,242	6,096
INCOME BEFORE INCOME TAXES	15,067	13,325	42,985	39,007
Provision for income taxes	6,048	4,552	16,350	13,545
	9,019	8,773	26,635	25,462
INCOME FROM CONTINUING OPERATIONS				
Loss from discontinued operations, net of taxes ..	(114)	--	(3,014)	--
	\$ 8,905	\$ 8,773	\$ 23,621	\$ 25,462
NET INCOME	=====	=====	=====	=====
 BASIC EARNINGS PER SHARE				
Continuing Operations	\$ 0.33	\$ 0.33	\$ 0.98	\$ 0.96
Discontinued Operations	(0.00)	--	(0.11)	--
	\$ 0.33	\$ 0.33	\$ 0.87	\$ 0.96
NET INCOME	=====	=====	=====	=====
Weighted average number of shares	27,306	26,717	27,196	26,630
	=====	=====	=====	=====
 DILUTED EARNINGS PER SHARE				
Continuing Operations	\$ 0.33	\$ 0.32	\$ 0.97	\$ 0.94
Discontinued Operations	(0.01)	--	(0.11)	--
	\$ 0.32	\$ 0.32	\$ 0.86	\$ 0.94
NET INCOME	=====	=====	=====	=====
Weighted average number of shares	27,632	27,249	27,428	27,112
	=====	=====	=====	=====
Dividends per common share	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.18
	=====	=====	=====	=====

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
RECONCILIATION OF REPORTED NET INCOME TO ADJUSTED INCOME
FROM CONTINUING OPERATIONS

(Thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Net income	\$ 8,905	\$ 8,773	\$ 23,621	\$ 25,462
Add back: loss from discontinued operations	114	--	3,014	--
	-----	-----	-----	-----
Income from continuing operations	9,019	8,773	26,635	25,462
	-----	-----	-----	-----
Add back/ (Subtract out): cost of restructuring ..	(36)	398	640	1,430
	-----	-----	-----	-----
Adjusted income from continuing operations	\$ 8,983	\$ 9,171	\$ 27,275	\$ 26,892
	=====	=====	=====	=====
Diluted earnings per share:				
Net income	\$ 0.32	\$ 0.32	\$ 0.86	\$ 0.94
Add back: discontinued operations	0.01	--	0.11	--
	-----	-----	-----	-----
Continuing operations	0.33	0.32	0.97	0.94
	-----	-----	-----	-----
Add back: cost of restructuring	0.00	0.02	0.02	0.05
	-----	-----	-----	-----
Adjusted income from continuing operations	\$ 0.33	\$ 0.34	\$ 0.99	\$ 0.99
	=====	=====	=====	=====

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.