

ECOLAB INC.  
Form 10-Q  
May 03, 2018  
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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 March 31, 2018

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 No. 1-9328

ECOLAB INC.

(Exact name of registrant as specified in its charter)

Delaware	41-0231510
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Ecolab Place, St. Paul, Minnesota 55102

(Address of principal executive offices)(Zip Code)

1-800-232-6522

(Registrant's telephone number, including area code)

(Not applicable)

(Former name, former address and former fiscal year,  
if changed since last report)

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 Regulations S-T (§232.405 of this chapter) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 issuer's classes of common stock, as of March 31, 2018.

288,520,477 shares of common stock, par value \$1.00 per share.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(millions, except per share amounts)	First Quarter Ended	
	March 31 2018	2017
Product and equipment sales	\$2,847.2	\$2,604.4
Service and lease sales	623.7	558.0
Net sales	3,470.9	3,162.4
Product and equipment cost of sales	1,696.6	1,500.7
Service and lease cost of sales	385.5	351.1
Cost of sales (including special charges (a))	2,082.1	1,851.8
Selling, general and administrative expenses	1,008.5	947.2
Special (gains) and charges	26.0	6.2
Operating income	354.3	357.2
Other (income) expense	(19.4)	(16.8)
Interest expense, net	56.4	62.5
Income before income taxes	317.3	311.5
Provision for income taxes	69.1	54.2
Net income including noncontrolling interest	248.2	257.3
Net income attributable to noncontrolling interest	0.9	3.3
Net income attributable to Ecolab	\$247.3	\$254.0
Earnings attributable to Ecolab per common share		
Basic	\$ 0.86	\$ 0.87
Diluted	\$ 0.84	\$ 0.86
Dividends declared per common share	\$0.410	\$0.370
Weighted-average common shares outstanding		
Basic	288.6	290.6
Diluted	292.7	295.0

- (a) Cost of sales includes special charges of \$1.5 million in the first quarter of 2017, which is recorded in product and equipment cost of sales.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(millions)	First Quarter Ended	
	March 31 2018	2017
Net income including noncontrolling interest	\$248.2	\$257.3
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments		
Foreign currency translation	115.6	81.0
Gain (loss) on net investment hedges	(26.2)	2.8
	89.4	83.8
Derivatives and hedging instruments	(2.1)	(9.2)
Pension and postretirement benefits		
Amortization of net actuarial loss and prior service costs included in net periodic pension and postretirement costs	0.3	3.3
	0.3	3.3
Subtotal	87.6	77.9
Total comprehensive income, including noncontrolling interest	335.8	335.2
Comprehensive income attributable to noncontrolling interest	3.4	4.5
Comprehensive income attributable to Ecolab	\$332.4	\$330.7

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

## CONSOLIDATED BALANCE SHEET

(unaudited)

(millions, except shares and per share amounts)	March 31 2018	December 31 2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$175.5	\$211.4
Accounts receivable, net	2,574.3	2,571.4
Inventories	1,541.8	1,446.5
Other current assets	305.2	365.0
Total current assets	4,596.8	4,594.3
Property, plant and equipment, net	3,779.9	3,707.1
Goodwill	7,303.0	7,167.1
Other intangible assets, net	4,012.2	4,017.6
Other assets	492.4	477.4
Total assets	\$20,184.3	\$19,963.5
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Short-term debt	\$1,017.8	\$564.4
Accounts payable	1,229.1	1,177.1
Compensation and benefits	497.0	549.4
Income taxes	170.0	183.6
Other current liabilities	1,068.9	1,000.7
Total current liabilities	3,982.8	3,475.2
Long-term debt	6,397.7	6,758.3
Postretirement health care and pension benefits	1,027.7	1,025.5
Deferred income taxes	652.8	635.4
Other liabilities	453.4	415.3
Total liabilities	12,514.4	12,309.7
Equity (a)		
Common stock	355.5	354.7
Additional paid-in capital	5,496.5	5,435.7
Retained earnings	8,097.0	8,011.6
Accumulated other comprehensive loss	(1,558.3)	(1,643.4)
Treasury stock	(4,789.7)	(4,575.0)
Total Ecolab shareholders' equity	7,601.0	7,583.6
Noncontrolling interest	68.9	70.2
Total equity	7,669.9	7,653.8
Total liabilities and equity	\$20,184.3	\$19,963.5

(a) Common stock, 800.0 million shares authorized, \$1.00 par value per share, 288.5 million shares outstanding at March 31, 2018 and 289.3 million shares outstanding at December 31, 2017. Shares outstanding are net of treasury stock.

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(millions)	First Quarter Ended March 31	
	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net income including noncontrolling interest	\$248.2	\$257.3
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	150.9	142.2
Amortization	80.2	73.8
Deferred income taxes	13.3	3.3
Share-based compensation expense	33.7	30.9
Pension and postretirement plan contributions	(23.0)	(23.0)
Pension and postretirement plan expense	8.6	8.8
Restructuring charges, net of cash paid	(7.7)	(6.2)
Other, net	4.9	4.7
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	33.9	76.4
Inventories	(77.2)	(67.5)
Other assets	(1.0)	(13.7)
Accounts payable	40.4	12.9
Other liabilities	(18.0)	(74.2)
Cash provided by operating activities	487.2	425.7
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(203.3)	(167.5)
Property and other assets sold	0.5	0.5
Acquisitions and investments in affiliates, net of cash acquired	(76.5)	(826.6)
Divestiture of businesses	9.4	-
Settlement of net investment hedges	14.1	-
Other, net	-	(1.7)
Cash used for investing activities	(255.8)	(995.3)
<b>FINANCING ACTIVITIES</b>		
Net issuances of commercial paper and notes payable	354.3	858.8
Long-term debt repayments	(300.6)	(0.4)
Reacquired shares	(215.1)	(374.5)
Dividends paid	(123.4)	(113.2)
Exercise of employee stock options	28.4	25.7
Acquisition related liabilities and contingent consideration	(8.6)	-
Other, net	-	(0.9)
Cash (used for) provided by financing activities	(265.0)	395.5
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2.3)	5.8

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Decrease in cash, cash equivalents and restricted cash	(35.9)	(168.3)
Cash, cash equivalents and restricted cash, beginning of period (a)	211.4	380.4
Cash, cash equivalents and restricted cash, end of period (b)	\$175.5	\$212.1

- (a) 2017 includes \$53.0 million of restricted cash related to the Anios transaction, which was included in other assets on the Consolidated Balance Sheet as of December 31, 2016.
- (b) There was no restricted cash as of March 31, 2018 or 2017.

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

## CONSOLIDATED STATEMENT OF EQUITY

(unaudited)

	Ecolab Shareholders					Ecolab	Non-
	Common	Additional	Retained	OCI	Treasury	Shareholders'	Controlli
(millions)	Stock	Paid-in	Earnings	(Loss)	Stock	Equity	Interest
Balance, December 31, 2015	\$350.3	\$5,086.1	\$6,160.3	\$(1,423.3)	\$(3,263.5)	\$6,909.9	\$70.5
New accounting guidance adoption (a) Net income			(29.3)			(29.3)	