

FLOWSERVE CORP
Form 10-Q
April 30, 2012

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, 2012
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. 1-13179
FLOWSERVE CORPORATION
(Exact name of registrant as specified in its charter)

New York 31-0267900
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

5215 N. O'Connor Blvd., Suite 2300, Irving, Texas 75039
(Address of principal executive offices) (Zip Code)

(972) 443-6500

(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 (§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, or a smaller reporting company. See definitions of "accelerated filer," "large accelerated filer" and "smaller reporting 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 24, 2012, there were 54,660,121 shares of the issuer's common stock outstanding.

FLOWSERVE CORPORATION
 FORM 10-Q
 TABLE OF CONTENTS

	Page No.
<u>PART I – FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements.</u>	
<u>Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2012 and 2011 (unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets – March 31, 2012 and December 31, 2011 (unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Cash Flows – Three months Ended March 31, 2012 and 2011 (unaudited)</u>	<u>3</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>4</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>11</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>22</u>
<u>Item 4. Controls and Procedures.</u>	<u>22</u>
<u>PART II – OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings.</u>	<u>23</u>
<u>Item 1A. Risk Factors.</u>	<u>23</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>23</u>
<u>Item 6. Exhibits.</u>	<u>24</u>
<u>SIGNATURES</u>	<u>24</u>
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.
FLOWSERVE CORPORATION
(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2012	2011
Sales	\$1,074,980	\$997,207
Cost of sales	(715,797)	(649,512)
Gross profit	359,183	347,695
Selling, general and administrative expense	(221,889)	(222,639)
Net earnings from affiliates	5,229	5,197
Operating income	142,523	130,253
Interest expense	(8,809)	(8,605)
Interest income	282	489
Other (expense) income, net	(4,939)	8,488
Earnings before income taxes	129,057	130,625
Provision for income taxes	(35,515)	(33,629)
Net earnings, including noncontrolling interests	93,542	96,996
Less: Net earnings attributable to noncontrolling interests	(417)	(14)
Net earnings attributable to Flowserve Corporation	\$93,125	\$96,982
Net earnings per share attributable to Flowserve Corporation common shareholders:		
Basic	\$1.71	\$1.74
Diluted	1.69	1.72
Cash dividends declared per share	\$0.36	\$0.32

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

	Three Months Ended March 31,	
	2012	2011
Net earnings, including noncontrolling interests	\$93,542	\$96,996
Other comprehensive income:		
Foreign currency translation adjustments, net of taxes of \$(21,264) and \$(27,683), respectively	35,140	48,789
Pension and other postretirement effects, net of taxes of \$(384) and \$(96), respectively	45	(395)
Cash flow hedging activity, net of taxes of \$237 and \$(141), respectively	(392)	248
Other comprehensive income	34,793	48,642
Comprehensive income, including noncontrolling interests	128,335	145,638
Comprehensive income attributable to noncontrolling interests	(452)	(436)
Comprehensive income attributable to Flowserve Corporation	\$127,883	\$145,202

See accompanying notes to condensed consolidated financial statements.

Table of Contents

FLOWSERVE CORPORATION

(Unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 172,694	\$ 337,356
Accounts receivable, net of allowance for doubtful accounts of \$20,134 and \$20,351, respectively	1,049,125	1,060,249
Inventories, net	1,141,341	1,008,379
Deferred taxes	125,394	121,905
Prepaid expenses and other	117,669	100,465
Total current assets	2,606,223	2,628,354
Property, plant and equipment, net of accumulated depreciation of \$750,344 and \$719,992, respectively	602,854	598,746
Goodwill	1,057,372	1,045,077
Deferred taxes	14,550	17,843
Other intangible assets, net	161,343	163,482
Other assets, net	176,068	169,112
Total assets	\$4,618,410	\$4,622,614
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 501,496	\$ 597,342
Accrued liabilities	807,828	808,601
Debt due within one year	60,773	53,623
Deferred taxes	9,723	10,755
Total current liabilities	1,379,820	1,470,321
Long-term debt due after one year	438,648	451,593
Retirement obligations and other liabilities	433,290	422,470
Shareholders' equity:		
Common shares, \$1.25 par value	73,664	73,664
Shares authorized – 120,000		
Shares issued – 58,931 and 58,931, respectively		
Capital in excess of par value	591,958	621,083
Retained earnings	2,278,806	2,205,524
	2,944,428	2,900,271
Treasury shares, at cost – 4,774 and 5,025 shares, respectively	(414,722) (424,052
Deferred compensation obligation	9,303)