

CASCADE CORP
Form 10-Q
December 07, 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 October 31, 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 1-12557

CASCADE CORPORATION

(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of incorporation or
organization)

93 0136592
(I.R.S. Employer Identification No.)

2201 N.E. 201st Ave.
Fairview, Oregon
(Address of principal executive office)

97024 9718
(Zip Code)

Registrant's telephone number, including area code: **(503) 669-6300**

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

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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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The number of shares outstanding of the registrant's common stock as of November 30, 2007 was 11,528,710.

CASCADE CORPORATION

FORM 10-Q

Quarter Ended October 31, 2007

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Signatures

Forward-Looking Statements

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This Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2) contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of revenue, gross profit, expenses, earnings or losses from operations, synergies or other financial items; any statements of plans, strategies, and objectives of management for future operations; any statements regarding future economic conditions or performance; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties, and assumptions referred to above include, but are not limited to:

Competitive factors in, and the cyclical nature of, the materials handling and construction equipment industries;

Fluctuations in lift truck and construction equipment orders or deliveries;

Availability and cost of raw materials;

General business and economic conditions in North America, Europe, Asia Pacific and China;

Foreign currency fluctuations;

Pending litigation;

Environmental matters;

Levels of public and non-residential construction activity;

Effectiveness of our capital expenditures and cost reduction initiatives;

Fluctuations in interest rates;

Actions by foreign governments;

Assumptions relating to pension and other postretirement costs.

We undertake no obligation to publicly revise or update forward-looking statements to reflect events or circumstances that arise after the date of this report.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CASCADE CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited in thousands, except per share amounts)

	Three Months Ended October 31		Nine Months Ended October 31	
	2007	2006	2007	2006
Net sales	\$ 143,143	\$ 122,809	\$ 421,826	\$ 359,959
Cost of goods sold	99,102	83,356	289,270	245,464
Gross profit	44,041	39,453	132,556	114,495
Selling and administrative expenses	22,656	19,830	65,842	59,579
Loss (gain) on disposition of assets, net	(6)	45	(1,178)	(572)
Amortization	764	368	2,406	975
Insurance litigation recovery, net			(15,977)	
Operating income	20,627	19,210	81,463	54,513
Interest expense	961	499	2,878	1,524
Interest income	(169)	(580)	(551)	(1,462)
Other expense (income), net	746	(119)	1,048	(440)
Income before provision for income taxes	19,089	19,410	78,088	54,891
Provision for income taxes	6,669	7,127	26,728	19,651
Net income	\$ 12,420	\$ 12,283	\$ 51,360	\$ 35,240
Basic earnings per share	\$ 1.04	\$ 0.97	\$ 4.30	\$ 2.80
Diluted earnings per share	\$ 1.00	\$ 0.94	\$ 4.11	\$ 2.69
Basic weighted average shares outstanding	11,965	12,604	11,954	12,572
Diluted weighted average shares outstanding	12,391	13,050	12,487	13,088

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

CASCADE CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited in thousands, except per share amounts)

	October 31 2007	January 31 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,019	\$ 36,593
Accounts receivable, less allowance for doubtful accounts of \$1,569 and \$1,515	96,666	74,992
Inventories	81,242	58,280
Deferred income taxes	3,592	4,481
Prepaid expenses and other	9,192	8,609
Total current assets	213,711	182,955
Property, plant and equipment, net	92,578	84,151
Goodwill	123,733	99,498
Deferred income taxes	7,931	11,817
Intangible assets, net	21,285	17,026
Other assets	1,738	1,985
Total assets	\$ 460,976	\$ 397,432
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Notes payable to banks	\$ 4,958	\$ 4,546
Current portion of long-term debt	12,500	12,573
Accounts payable	37,390	26,008
Accrued payroll and payroll taxes	10,377	9,391
Other accrued expenses	14,087	17,307
Total current liabilities	79,312	69,825
Long-term debt, net of current portion	45,000	34,000
Accrued environmental expenses	5,067	5,838
Deferred income taxes	5,369	2,798
Employee benefit obligations	9,958	9,719
Other liabilities	2,897	3,616
Total liabilities	147,603	125,796
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, \$.50 par value, 20,000 authorized shares; 11,803 and 12,070 shares issued and outstanding	5,901	6,035
Retained earnings	267,764	253,307
Accumulated other comprehensive income	39,708	12,294
Total shareholders' equity	313,373	271,636
Total liabilities and shareholders' equity	\$ 460,976	\$ 397,432

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

CASCADE CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited in thousands, except per share amounts)

	Common Stock		Additional	Retained	Accumulated	Total	Year-To-Date
	Shares	Amount	Paid-In	Earnings	Other	Shareholders	Comprehensive
			Capital		Comprehensive	Equity	Income (Loss)
					Income		
Balance at January 31, 2007	12,070	\$ 6,035	\$	\$ 253,307	\$ 12,294	\$ 271,636	
Net income				51,360		51,360	\$ 51,360
Dividends (\$ 0.52 per share)				(6,194)		(6,194)	
Common stock issued	424	212	3,632			3,844	
Excess tax benefit from exercise of share-based compensation awards			3,268			3,268	
Common stock repurchased	(691)	(346)	(10,129)	(30,709)		(41,184)	
Share-based compensation			3,229			3,229	
Minimum pension/post-retirement adjustment					18	18	18
Translation adjustment					27,396	27,396	27,396
Balance at October 31, 2007	11,803	\$ 5,901	\$	\$ 267,764	\$ 39,708	\$ 313,373	\$ 78,774

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

CASCADE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited in thousands)

	Nine Months Ended October 31	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 51,360	\$ 35,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,711	11,251
Share-based compensation	3,229	2,958
Deferred income taxes	1,917	(1,853)
Gain on disposition of assets	(1,178)	(572)
Changes in operating assets and liabilities:		
Accounts receivable	(13,552)	(12,130)
Inventories	(16,379)	3,729
Prepaid expenses and other	(873)	(443)
Accounts payable and accrued expenses	6,791	(1,522)
Income taxes payable and receivable	594	(1,090)
Other assets and liabilities	(1,054)	(55)
Net cash provided by operating activities	43,566	35,513
Cash flows from investing activities:		
Capital expenditures	(14,262)	(11,890)
Proceeds from disposition of assets	2,638	1,669
Business acquisitions	(11,529)	
Sales of marketable securities		20,800
Purchases of marketable securities		(13,600)
Net cash used in investing activities	(23,153)	(3,021)
Cash flows from financing activities:		
Cash dividends paid	(6,194)	(5,654)
Payments on long-term debt	(82,642)	(89)
Proceeds from long-term debt	93,200	
Notes payable to banks, net	(624)	(3,747)
Common stock issued under share-based compensation plans	3,844	1,764
Common stock repurchased	(43,463)	(12,808)
Excess tax benefit from exercise of share-based compensation awards	3,268	1,054
Net cash used in financing activities	(32,611)	(19,480)
Effect of exchange rate changes	(1,376)	(247)
Change in cash and cash equivalents	(13,574)	12,765
Cash and cash equivalents at beginning of period	36,593	35,493
Cash and cash equivalents at end of period	\$ 23,019	\$ 48,258

Supplemental disclosure of cash flow information:

See Note 9 to the consolidated financial statements

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

CASCADE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Description of Business

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Cascade Corporation is an international manufacturer of materials handling products that are widely used on industrial fork lift trucks and, to a lesser extent, construction, mining and agricultural vehicles. Accordingly, our sales are largely dependent on sales of lift trucks and on the sales of replacement parts. Our sales are made throughout the world. We are headquartered in Fairview, Oregon, employing approximately 2,400 people and maintaining operations in 15 countries outside the United States.

Note 2 Interim Financial Information

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The accompanying consolidated financial statements for the interim periods ended October 31, 2007 and 2006 are unaudited. In the opinion of management, the accompanying consolidated financial statements reflect normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for those interim periods. Results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year, and these financial statements do not contain the detail or footnote disclosures concerning accounting policies and other matters that would be included in full fiscal year financial statements. Therefore, these statements should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2007.

Note 3 Segment Information

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Our operating units have largely similar economic characteristics and attributes, including similar products, distribution patterns and classes of customers. As a result, we aggregate our operating units into four geographic operating segments related to the manufacturing, distribution and servicing of material handling load engagement products. We evaluate performance of each of our operating segments based on operating income, which is income before interest, miscellaneous income/expense and income taxes. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies contained in Note 2 of our consolidated financial statements included in our Form 10-K for the fiscal year ended January 31, 2007.

Revenues and operating results are classified according to the country of origin. Identifiable assets are attributed to the geographic location in which they are located. Net sales, operating results and identifiable assets by geographic region were as follows (in thousands):

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2007	Three Months Ended October 31						Consolidated
	North America	Europe	Asia Pacific	China	Eliminations		
Net sales	\$ 73,757	\$ 43,408	\$ 15,460	\$ 10,518	\$	\$ 143,143	
Transfers between areas	8,940	434	27	5,258	(14,659)		
Net sales and transfers	\$ 82,697	\$ 43,842	\$ 15,487	\$ 15,776	\$ (14,659)	\$ 143,143	
Gross profit	\$ 28,393	\$ 6,891	\$ 3,966	\$ 4,791		\$ 44,041	
Selling and administrative	12,676	6,738	2,186	1,056		22,656	
Loss (gain) on disposition of assets, net	10		(18)	2		(6)	
Amortization	599	165				764	
Operating income (loss)	\$ 15,108	\$ (12)	\$ 1,798	\$ 3,733		\$ 20,627	
Total assets	\$ 241,142	\$ 133,579	\$ 39,216	\$ 47,039		\$ 460,976	
Property, plant and equipment, net	\$ 35,233	\$ 38,474	\$ 2,249	\$ 16,622		\$ 92,578	
Capital expenditures	\$ 2,505	\$ 1,983	\$ 292	\$ 376		\$ 5,156	
Depreciation expense	\$ 1,680	\$ 1,264	\$ 94	\$ 378		\$ 3,416	

2006	Three Months Ended October 31						Consolidated
	North America	Europe	Asia Pacific	China	Eliminations		
Net sales	\$ 68,287	\$ 34,368	\$ 12,551	\$ 7,603	\$	\$ 122,809	
Transfers between areas	6,600	213	35	2,175	(9,023)		
Net sales and transfers	\$ 74,887	\$ 34,581	\$ 12,586	\$ 9,778	\$ (9,023)	\$ 122,809	
Gross profit	\$ 27,334	\$ 5,622	\$ 3,139	\$ 3,358		\$ 39,453	
Selling and administrative	11,170	5,754	2,147	759		19,830	
Loss (gain) on disposition of assets, net	10	28	(2)	9		45	
Amortization	89	235	19	25		368	
Operating income (loss)	\$ 16,065	\$ (395)	\$ 975	\$ 2,565		\$ 19,210	
Total assets	\$ 207,392	\$ 112,063	\$ 31,352	\$ 33,721		\$ 384,528	
Property, plant and equipment, net	\$ 33,189	\$ 35,024	\$ 1,530	\$ 9,190		\$ 78,933	
Capital expenditures	\$ 1,159	\$ 475	\$ 131	\$ 3,877		\$ 5,642	
Depreciation expense	\$ 1,920	\$ 1,222	\$ 86	\$ 161		\$ 3,389	

2007	Nine Months Ended October 31						Consolidated
	North America	Europe	Asia Pacific	China	Eliminations		
Net sales	\$ 219,708	\$ 128,430	\$ 44,346	\$ 29,342	\$	\$ 421,826	
Transfers between areas	25,843	1,131	125	11,817	(38,916)		
Net sales and transfers	\$ 245,551	\$ 129,561	\$ 44,471	\$ 41,159	\$ (38,916)	\$ 421,826	
Gross profit	\$ 85,590	\$ 22,420	\$ 11,145	\$ 13,401		\$ 132,556	
Selling and administrative	37,217	19,487	6,287	2,851		65,842	
Loss (gain) on disposition of assets, net	(1,184)	8	(35)	33		(1,178)	
Amortization	1,826	579		1		2,406	
Insurance litigation recovery, net	(15,977)					(15,977)	
Operating income	\$ 63,708	\$ 2,346	\$ 4,893	\$ 10,516		\$ 81,463	
Capital expenditures	\$ 6,006	\$ 3,344	\$ 741	\$ 4,171		\$ 14,262	
Depreciation expense	\$ 5,330	\$ 3,724	\$ 291	\$ 960		\$ 10,305	

2006	Nine Months Ended October 31		
	North America	Europe	Asia Pacific