

GENERAL CABLE CORP /DE/  
Form 10-Q  
August 03, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 29, 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 number: 1-12983

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GENERAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of  
incorporation or organization)

06-1398235

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

4 Tesseneer Drive

Highland Heights, KY

(Address of principal executive offices)

41076-9753

(Zip Code)

Registrant's telephone number, including area code: (859) 572-8000

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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 definition of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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 ☒

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

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Class	Outstanding at July 26, 2012
Common Stock, \$0.01 par value	49,770,652

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ON FORM 10-Q

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## PART I. FINANCIAL STATEMENTS

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## GENERAL CABLE CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(in millions, except per share data)

(unaudited)

	Three Fiscal Months Ended		Six Fiscal Months Ended	
	June 29, 2012	July 1, 2011	June 29, 2012	July 1, 2011
Net sales	\$1,478.1	\$1,532.2	\$2,910.6	\$2,979.8
Cost of sales	1,301.1	1,357.6	2,586.4	2,638.2
Gross profit	177.0	174.6	324.2	341.6
Selling, general and administrative expenses	104.4	94.8	198.2	188.7
Operating income	72.6	79.8	126.0	152.9
Other income (expense)	(13.5	) (3.9	) (6.7	) 3.1
Interest income (expense):				
Interest expense	(25.2	) (23.6	) (49.9	) (47.6
Interest income	1.6	2.0	3.3	4.0
	(23.6	) (21.6	) (46.6	) (43.6
Income before income taxes	35.5	54.3	72.7	112.4
Income tax (provision) benefit	(12.0	) (17.2	) (22.9	) (36.6
Equity in earnings of affiliated companies	0.5	1.0	0.5	1.4
Net income including non-controlling interest	24.0	38.1	50.3	77.2
Less: preferred stock dividends	0.1	0.1	0.2	0.2
Less: net income attributable to non-controlling interest	2.1	0.5	3.4	1.3
Net income attributable to Company common shareholders	\$21.8	\$37.5	\$46.7	\$75.7
Comprehensive income (loss)	\$(45.7	) \$57.5	\$30.7	\$125.2
Earnings per share				
Earnings per common share-basic	\$0.44	\$0.72	\$0.94	\$1.45
Weighted average common shares-basic	49.8	52.2	49.8	52.2
Earnings per common share-assuming dilution	\$0.43	\$0.68	\$0.92	\$1.39
Weighted average common shares-assuming dilution	51.1	54.9	51.1	54.7

See accompanying Notes to Condensed Consolidated Financial Statements.

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## GENERAL CABLE CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(in millions, except share data)

(unaudited)

	June 29, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$438.8	\$ 434.1
Receivables, net of allowances of \$21.3 million at June 29, 2012 and \$17.2 million at December 31, 2011	1,213.6	1,080.9
Inventories, net	1,259.6	1,228.7
Deferred income taxes	39.0	43.4
Prepaid expenses and other	105.2	100.0
Total current assets	3,056.2	2,887.1
Property, plant and equipment, net	1,012.2	1,028.6
Deferred income taxes	24.9	18.6
Goodwill	165.0	164.9
Intangible assets, net	179.5	181.6
Unconsolidated affiliated companies	19.0	18.6
Other non-current assets	55.7	71.0
Total assets	\$4,512.5	\$ 4,370.4
Liabilities and Total Equity		
Current liabilities:		
Accounts payable	\$969.6	\$ 946.5
Accrued liabilities	390.6	420.0
Current portion of long-term debt	228.7	156.3
Total current liabilities	1,588.9	1,522.8
Long-term debt	918.2	892.6
Deferred income taxes	210.7	200.0
Other liabilities	247.2	243.1
Total liabilities	2,965.0	2,858.5
Commitments and contingencies		
Total equity:		
Redeemable convertible preferred stock, at redemption value (liquidation preference of \$50.00 per share):		
June 29, 2012 – 76,002 shares outstanding		
December 31, 2011 – 76,002 shares outstanding	3.8	3.8
Common stock, \$0.01 par value, issued and outstanding shares:		
June 29, 2012– 49,770,887 (net of 8,689,031 treasury shares)		
December 31, 2011 – 49,697,763 (net of 8,758,267 treasury shares)	0.6	0.6
Additional paid-in capital	672.4	666.7
Treasury stock	(135.2)	(136.5)
Retained earnings	1,005.8	959.1
Accumulated other comprehensive income (loss)	(115.0)	(95.1)
Total Company shareholders' equity	1,432.4	1,398.6
Non-controlling interest	115.1	113.3
Total equity	1,547.5	1,511.9
Total liabilities and equity	\$4,512.5	\$ 4,370.4

See accompanying Notes to Condensed Consolidated Financial Statements.

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## GENERAL CABLE CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(in millions)

(unaudited)

	Six Fiscal Months Ended	
	June 29, 2012	July 1, 2011
Cash flows of operating activities:		
Net income (loss) including non-controlling interest	\$50.3	\$77.2
Adjustments to reconcile net income (loss) to net cash flows of operating activities:		
Depreciation and amortization	53.7	55.8
Amortization on restricted stock awards	1.4	1.7
Foreign currency exchange (gain) loss	5.8	5.1
Deferred income taxes	8.0	(10.8)
Excess tax (benefits) deficiencies from stock-based compensation	(0.1)	(0.7)
Convertible debt instruments noncash interest charges	10.9	10.2
(Gain) loss on disposal of property	—	(1.9)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
(Increase) decrease in receivables	(146.9)	(164.3)
(Increase) decrease in inventories	(39.9)	(223.8)
(Increase) decrease in other assets	2.0	(14.4)
Increase (decrease) in accounts payable, accrued and other liabilities	37.7	183.4
Net cash flows of operating activities	(17.1)	(82.5)
Cash flows of investing activities:		
Capital expenditures	(63.9)	(55.5)
Proceeds from properties sold	4.2	2.8
Acquisitions, net of cash acquired	(7.3)	—
Other	(0.1)	0.8
Net cash flows of investing activities	(67.1)	(51.9)
Cash flows of financing activities:		
Preferred stock dividends paid	(0.2)	(0.2)
Excess tax benefits (deficiencies) from stock-based compensation	0.1	0.7
Proceeds from other debt	877.8	871.6
Repayments of other debt	(790.8)	(759.3)
Dividends paid to non-controlling interest	(1.9)	(2.8)
Proceeds from exercise of stock options	0.1	0.7
Net cash flows of financing activities	85.1	110.7
Effect of exchange rate changes on cash and cash equivalents	3.8	(13.0)
Increase (decrease) in cash and cash equivalents	4.7	(36.7)
Cash and cash equivalents – beginning of period	434.1	458.7
Cash and cash equivalents – end of period	\$438.8	\$422.0
Supplemental Information		
Cash paid during the period for:		
Income tax payments, net of refunds	\$15.2	\$18.2
Interest paid	\$33.2	\$31.3
Non-cash investing and financing activities:		
Capital expenditures included in accounts payable	\$20.2	\$27.1
See accompanying Notes to Condensed Consolidated Financial Statements.		





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GENERAL CABLE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of General Cable Corporation and Subsidiaries ("General Cable" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three and six fiscal months ended June 29, 2012 are not necessarily indicative of results that may be expected for the full year. The December 31, 2011 condensed consolidated balance sheet amounts are derived from the audited financial statements. These financial statements should be read in conjunction with the audited financial statements and notes thereto in General Cable's 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2012. The Company's fiscal quarters consist of 13-week periods ending on the Friday nearest to the end of the calendar months of March, June and September.

The condensed consolidated financial statements include the accounts of General Cable Corporation and its wholly-owned subsidiaries. Investments in 50% or less owned joint ventures in which the Company has the ability to exercise significant influence are accounted for under the equity method of accounting. All intercompany transactions and balances among the consolidated companies have been eliminated.

2. Accounting Standards

The Company's significant accounting policies are described in Footnote 2 "Accounting Standards" to the audited annual consolidated financial statements in the 2011 Form 10-K. In the six months ended June 29, 2012, there have been no significant changes to these policies. In the six months ended June 29, 2012, there have been no accounting pronouncements issued that are expected to have a significant effect on the condensed consolidated financial statements. The following accounting pronouncements were adopted and became effective with respect to the Company in 2012 and 2011:

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04 accounting guidance related to fair value measurements ASC 820 - Fair Value Measurement. The new guidance provides clarification to existing standards, and also provides new required disclosures, primarily related to Level 3 fair value measurements. This guidance became effective for the Company on January 1, 2012. The adoption of this guidance did not have a material impact on the condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05 accounting guidance related to the presentation requirements for components of comprehensive income ASC 220 - Comprehensive Income. This update was amended in December 2011 by ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU No. 2011-05. This update defers only those changes in update ASU No. 2011-05 that relate to the presentation of reclassification adjustments. All other requirements in update ASU No. 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. ASU No. 2011-05 and 2011-12 are effective for fiscal years (including interim periods) beginning after December 15, 2011. This guidance is effective for the Company and the Company has presented other comprehensive income in a single continuous financial statement, which was previously presented within the Consolidated Statements of Changes in Total Equity.

In September 2011, the FASB issued ASU No. 2011-08 accounting guidance related to the testing of goodwill for impairment

ASC 350 - Intangibles-Goodwill and Other. Under this guidance, entities will have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value. This guidance will become effective for the Company on December 31, 2012. The adoption of this guidance is not expected to have a material impact on the consolidated financial statements.

### 3. Acquisitions and Divestitures

General Cable actively seeks to identify key global macroeconomic and geopolitical trends in order to capitalize on expanding markets and new niche markets or exit declining or non-strategic markets in order to achieve better returns. The Company also sets aggressive performance targets for its business and intends to refocus or divest those activities which fail to meet targets or do not fit the Company's long-term strategies. On May 18, 2012, General Cable entered into a purchase agreement to acquire

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Alcan Cable, the wire and cable business of Rio Tinto plc ("Rio Tinto"). The purchase price is \$185 million, subject to adjustments primarily related to working capital levels at closing as provided in the purchase agreement. The closing of the acquisition of the North America business is conditioned upon receipt of necessary regulatory approvals, which have been received. The Company has made the necessary regulatory filings in the People's Republic of China and that review process is ongoing. General Cable expects to use its recently amended revolving credit facility to principally fund the transaction (see Footnote 22 "Subsequent Events"). On July 4, 2012, the Company entered into a purchase agreement to acquire a majority interest (60%) in Procables S.A. for total consideration of \$45 million, subject to adjustments primarily related to working capital levels at closing as provided in the purchase agreement. The acquisition is subject to receipt of regulatory approval, which has been received.

**4. Other Income (Expense)**

Other income (expense) includes foreign currency transaction gains or losses, which result from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated as well as gains and losses on derivative instruments that are not designated as cash flow hedges and ineffectiveness on derivatives designated as cash flow hedges. During the three months ended June 29, 2012 and July 1, 2011, the Company recorded other expense of \$13.5 million and \$3.9 million, respectively. During the six months ended June 29, 2012 and July 1, 2011, the Company recorded other expense of \$6.7 million and other income of \$3.1 million, respectively. For the three months ended June 29, 2012, other expense was primarily the result of \$6.5 million related to losses on derivative instruments that were not designated as cash flow hedges and other expense of \$6.5 million related to foreign currency transaction losses. For the six months ended June 29, 2012, other expense was primarily the result of \$0.3 million related to losses on derivative instruments that were not designated as cash flow hedges and other expense of \$5.1 million related to foreign currency transaction losses. For the three months ended July 1, 2011, other expense of \$3.9 million was primarily attributable to foreign currency transaction losses which resulted from changes in exchange rates in the various countries in which the Company operates. For the six months ended July 1, 2011, other income of \$3.1 million was primarily the result of unrealized gains on derivative instruments which were not designated as cash flow hedges and foreign currency transaction gains.

The functional currency of the Company's subsidiary in Venezuela is the U.S. dollar. The Company remeasures the financial statements of the Venezuelan subsidiary at the rate the Company expects to remit dividends, which is 4.30 Venezuelan Bolivar ("BsF") per U.S. dollar.

Effective January 1, 2011, the Central Bank of Venezuela and the Ministry of Finance published an amendment to Convenio Cambiario No. 14 (the Exchange Law), whereby the official exchange rate was set at 4.30 BsF per U.S. dollar. See Item 2, "Venezuelan Operations" for additional details.

**5. Inventories**

Approximately 82% of the Company's inventories are valued using the average cost method and all remaining inventories are valued using the first-in, first-out (FIFO) method. All inventories are stated at the lower of cost or market value.

(in millions)	June 29, 2012	December 31, 2011
Raw materials	\$323.3	\$298.2
Work in process	211.8	199.3
Finished goods	724.5	731.2
Total	\$1,259.6	\$1,228.7

**6. Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Costs assigned to property, plant and equipment related to acquisitions are based on estimated fair values on the acquisition date. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets: buildings, from 15 to 50 years, and machinery, equipment and office furnishings, from 2 to 15 years. Leasehold improvements are depreciated over the shorter of the lease term or the useful life of the asset, unless acquired in a business combination, in which case the

leasehold improvements are amortized over the shorter of the useful life of the asset or a term that includes the reasonably assured life of the lease.

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Property, plant and equipment consisted of the following (in millions):

	June 29, 2012	December 31, 2011
Land	\$ 111.3	\$ 110.7
Buildings and leasehold improvements	303.9	303.4
Machinery, equipment and office furnishings	1,096.0	1,062.9
Construction in progress	83.0	