

GENERAL CABLE CORP /DE/  
Form 10-Q  
August 09, 2006

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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 June 30, 2006**

**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

**GENERAL CABLE CORPORATION**

(Exact name of registrant as specified in its charter)

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**

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 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

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

Class  
Common Stock, \$0.01 par value

Outstanding at August 1, 2006  
51,332,717

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**GENERAL CABLE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
(in millions, except per share data)  
(unaudited)

	Three Fiscal Months Ended		Six Fiscal Months Ended	
	June 30, 2006	July 1, 2005	June 30, 2006	July 1, 2005
Net sales	\$ 987.1	\$ 608.6	\$ 1,791.4	\$ 1,162.8
Cost of sales	857.6	537.3	1,564.3	1,024.1
Gross profit	129.5	71.3	227.1	138.7
Selling, general and administrative expenses	59.1	43.3	114.5	86.5
Operating income	70.4	28.0	112.6	52.2
Other income (expense)	0.2		1.0	(0.1)
Interest income (expense):				
Interest expense	(12.3)	(10.6)	(22.4)	(20.9)
Interest income	0.7	1.5	1.2	1.9
	(11.6)	(9.1)	(21.2)	(19.0)
Income before income taxes	59.0	18.9	92.4	33.1
Income tax provision	(17.5)	(7.1)	(29.5)	(12.3)
Net income	41.5	11.8	62.9	20.8
Less: preferred stock dividends	(0.1)	(1.5)	(0.2)	(3.0)
Net income applicable to common shareholders	\$ 41.4	\$ 10.3	\$ 62.7	\$ 17.8
<u>Earnings per share</u>				
Earnings per common share	\$ 0.81	\$ 0.26	\$ 1.24	\$ 0.45
Weighted average common shares	50.8	39.4	50.4	39.3
Earnings per common share-assuming dilution	\$ 0.80	\$ 0.23	\$ 1.21	\$ 0.41
Weighted average common shares-assuming dilution	52.2	50.9	51.8	50.8

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)

	June 30, 2006 (unaudited)	December 31, 2005
<b><u>Assets</u></b>		
Current Assets:		
Cash	\$ 59.0	\$ 72.2
Receivables, net of allowances of \$10.3 million at June 30, 2006 and \$8.6 million at December 31, 2005	791.7	542.9
Inventories	399.2	363.9
Deferred income taxes	47.6	41.9
Prepaid expenses and other	70.1	48.6
Total current assets	1,367.6	1,069.5
Property, plant and equipment, net	368.7	366.4
Deferred income taxes	54.5	52.5
Other non-current assets	33.3	34.8
Total assets	\$ 1,824.1	\$ 1,523.2
<b><u>Liabilities and Shareholders Equity</u></b>		
Current Liabilities:		
Accounts payable	\$ 647.8	\$ 472.3
Accrued liabilities	211.4	212.2
Current portion of long-term debt	20.0	6.4
Total current liabilities	879.2	690.9
Long-term debt	425.3	445.2
Deferred income taxes	13.1	13.4
Other liabilities	106.4	80.4
Total liabilities	1,424.0	1,229.9
Shareholders Equity:		
Redeemable convertible preferred stock, at redemption value (liquidation preference of \$50.00 per share):		
June 30, 2006 101,949 shares		
December 31, 2005 129,916 shares	5.1	6.5
Common stock, \$0.01 par value, issued and outstanding shares:		
June 30, 2006 51,078,781 (net of 4,998,730 treasury shares)		
December 31, 2005 49,520,209 (net of 4,968,755 treasury shares)	0.6	0.5
Additional paid-in capital	269.4	246.3

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Treasury stock	(53.0)	(52.2)
Retained earnings	166.5	103.8
Accumulated other comprehensive income (loss)	11.5	(6.8)
Other shareholders' equity		(4.8)
Total shareholders' equity	400.1	293.3
Total liabilities and shareholders' equity	\$ 1,824.1	\$ 1,523.2

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 30, 2006	July 1, 2005
Cash flows of operating activities:		
Net income	\$ 62.9	\$ 20.8
Adjustments to reconcile net income to net cash flows of operating activities:		
Depreciation and amortization	25.5	22.2
Foreign currency exchange (gain) loss	(1.0)	0.1
Deferred income taxes	2.6	1.0
Loss on disposal of property	0.8	0.7
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Increase in receivables	(223.9)	(86.8)
Increase in inventories	(17.3)	(25.6)
(Increase) decrease in other assets	(7.3)	12.5
Increase in accounts payable, accrued and other liabilities	162.8	55.8
 Net cash flows of operating activities	 5.1	 0.7
 Cash flows of investing activities:		
Capital expenditures	(22.6)	(15.7)
Proceeds from properties sold	0.4	0.1
Acquisitions, net of cash acquired	(13.7)	(7.4)
Other, net	1.6	(0.5)
 Net cash flows of investing activities	 (34.3)	 (23.5)
 Cash flows of financing activities:		
Preferred stock dividends paid	(0.2)	(3.0)
Excess tax benefits from stock-based compensation	8.4	
Net change in revolving credit borrowings	(19.1)	26.7
Proceeds from other debt	9.7	2.7
Proceeds from exercise of stock options	14.8	0.5
 Net cash flows of financing activities	 13.6	 26.9
 Effect of exchange rate changes on cash	 2.4	 (4.9)
 Decrease in cash	 (13.2)	 (0.8)
Cash beginning of period	72.2	36.4
 Cash end of period	 \$ 59.0	 \$ 35.6

**Supplemental Information**

Cash paid during the period for:		
Income tax payments, net of refunds	\$ 15.8	\$ 3.0
Interest paid	\$ 19.4	\$ 20.5
Non-cash investing and financing activities:		
Issuance of nonvested shares	\$ 5.5	\$ 3.6
Entrance into capital leases	\$ 0.1	\$ 0.2

See accompanying Notes to Condensed Consolidated Financial Statements.



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**GENERAL CABLE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Changes in Shareholders' Equity**  
(dollars in millions, share amounts in thousands)  
**(unaudited)**

	Preferred Stock		Common Stock		Add'l	Treasury	Retained	Accumulated	Other	Other	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Stock	Earnings	Comprehensive Income/(Loss)	Shareholders' Equity		
Balance, December 31, 2004	2,070	\$ 103.5	39,336	\$ 0.4	\$ 144.1	\$ (51.0)	\$ 86.4	\$ 22.4	\$ (4.4)	\$ 301.4	
Comprehensive loss:											
Net income							20.8			20.8	
Foreign currency translation adjustment								(22.7)		(22.7)	
Unrealized investment gain								0.2		0.2	
Gain on change in fair value of financial instruments, net of \$0.3 tax expense								1.1		1.1	
Comprehensive loss										(0.6)	
Preferred stock dividend							(3.0)			(3.0)	
Issuance of nonvested shares			294		3.6					(3.6)	
Exercise of stock options			64		0.5					0.5	
Repayment of loans from shareholders			(83)		(1.2)	(1.2)			1.6	(0.8)	
Amortization of nonvested shares									0.5	0.5	
Other			16		0.2		0.5			0.7	
Balance, July 1, 2005	2,070	\$ 103.5	39,627	\$ 0.4	\$ 147.2	\$ (52.2)	\$ 104.7	\$ 1.0	\$ (5.9)	\$ 298.7	
	130	\$ 6.5	49,520	\$ 0.5	\$ 246.3	\$ (52.2)	\$ 103.8	\$ (6.8)	\$ (4.8)	\$ 293.3	

Balance, December 31, 2005											
Comprehensive income:											
Net income							62.9				62.9
Foreign currency translation adjustment								12.0			12.0
Unrealized investment gain								2.2			2.2
Gain on change in fair value of financial instruments, net of \$2.8 tax expense									4.1		4.1
Comprehensive income											81.2
Preferred stock dividend							(0.2)				(0.2)
Reclass of unearned stock compensation						(4.8)				4.8	
Issuance of nonvested shares			213								
Stock option expense						0.7					0.7
Exercise of stock options			1,214	0.1	14.8						14.9
Treasury shares related to nonvested stock vesting			(30)				(0.8)				(0.8)
Amortization of nonvested shares						2.5					2.5
Excess tax benefits from stock-based compensation						8.4					8.4
Conversion of preferred stock	(28)	(1.4)	140		1.4						
Other			22		0.1						0.1
Balance, June 30, 2006	102	\$ 5.1	51,079	\$ 0.6	\$ 269.4	\$ (53.0)	\$ 166.5	\$ 11.5	\$		\$ 400.1

See accompanying Notes to Condensed Consolidated Financial Statements.

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**GENERAL CABLE CORPORATION AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**

**1. General**

General Cable Corporation and Subsidiaries (General Cable) is a leading global developer and manufacturer in the wire and cable industry. The Company sells copper, aluminum and fiber optic wire and cable products worldwide. The Company's operations are divided into three main segments: energy, industrial & specialty and communications. As of June 30, 2006, General Cable operated 28 manufacturing facilities in eleven countries with regional distribution centers around the world in addition to the corporate headquarters in Highland Heights, Kentucky.

**2. Summary of Accounting Policies**

***Principles of Consolidation***

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. The Company adopted FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, which resulted in the consolidation of its fiber optic joint venture in the first quarter of 2004. In the fourth quarter of 2004, the Company unwound the joint venture and as of December 31, 2004, owned 100% of the business and in 2005 merged the entity into its principal U.S. operating subsidiary. All intercompany transactions and balances among the consolidated companies have been eliminated.