

WATSCO INC
Form 10-Q
August 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended June 30, 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 1-5581

I.R.S. Employer Identification Number 59-0778222

WATSCO, INC.

(a Florida Corporation)

2665 South Bayshore Drive, Suite 901

Miami, Florida 33133

Telephone: (305) 714-4100

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 website, 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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: 29,761,219 shares of Common stock (\$0.50 par value), excluding treasury shares of 6,322,650 and 4,717,653 shares of Class B common stock (\$0.50 par value), excluding treasury shares of 48,263, were outstanding as of August 3, 2012.

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WATSCO, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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WATSCO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF INCOME

(In thousands, except per share data)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues	\$ 1,011,801	\$ 883,548	\$ 1,645,313	\$ 1,417,887
Cost of sales	773,326	670,357	1,256,216	1,069,710
Gross profit	238,475	213,191	389,097	348,177
Selling, general and administrative expenses	152,604	137,662	283,317	255,938
Operating income	85,871	75,529	105,780	92,239
Interest expense, net	1,350	997	2,238	1,819
Income before income taxes	84,521	74,532	103,542	90,420
Income taxes	23,620	22,260	29,148	27,026
Net income	60,901	52,272	74,394	63,394
Less: net income attributable to noncontrolling interest	21,798	16,249	26,824	19,871
Net income attributable to Watsco, Inc.	\$ 39,103	\$ 36,023	\$ 47,570	\$ 43,523
Earnings per share for Common and Class B common stock:				
Basic	\$ 1.15	\$ 1.09	\$ 1.42	\$ 1.33
Diluted	\$ 1.15	\$ 1.09	\$ 1.41	\$ 1.32

See accompanying notes to condensed consolidated unaudited financial statements.

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WATSCO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net Income	\$ 60,901	\$ 52,272	\$ 74,394	\$ 63,394
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment	(4,840)		(4,840)	
Unrealized (loss) gain on available-for-sale securities arising during the period	(4)	(4)	12	3
Unrealized gain on derivative instrument arising during the period		73		144
Other comprehensive (loss) income	(4,844)	69	(4,828)	147
Comprehensive income	56,057	52,341	69,566	63,541
Less: comprehensive income attributable to noncontrolling interest	21,798	16,249	26,824	19,871
Comprehensive income attributable to Watsco, Inc.	\$ 34,259	\$ 36,092	\$ 42,742	\$ 43,670

See accompanying notes to condensed consolidated unaudited financial statements.

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WATSCO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 35,207	\$ 15,673
Accounts receivable, net	509,612	327,664
Inventories	672,434	465,349
Other current assets	20,342	19,491
Total current assets	1,237,595	828,177
Property and equipment, net	43,440	39,455
Goodwill	386,954	319,440
Intangible assets, net	219,683	75,366
Other assets	7,203	5,710
	\$ 1,894,875	\$ 1,268,148
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings under revolving credit agreement	\$	\$ 20,000
Current portion of other long-term obligations	13	19
Accounts payable	272,418	127,359
Accrued expenses and other current liabilities	108,905	75,661
Total current liabilities	381,336	223,039
Long-term obligations:		
Borrowings under revolving credit agreement	235,621	
Other long-term obligations, net of current portion	17	
Total long-term obligations	235,638	
Deferred income taxes and other liabilities	47,115	43,399
Commitments and contingencies		
Watsco, Inc. shareholders' equity:		
Common stock, \$0.50 par value	18,017	17,338
Class B common stock, \$0.50 par value	2,377	2,350
Preferred stock, \$0.50 par value		
Paid-in capital	595,269	493,519
Accumulated other comprehensive loss, net of tax	(5,180)	(352)
Retained earnings	410,927	404,360
Treasury stock, at cost	(114,425)	(114,425)
Total Watsco, Inc. shareholders' equity	906,985	802,790
Noncontrolling interest	323,801	198,920

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Total shareholders' equity	1,230,786	1,001,710
	\$ 1,894,875	\$ 1,268,148

See accompanying notes to condensed consolidated unaudited financial statements.

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WATSCO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 74,394	\$ 63,394
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	6,857	5,457
Share-based compensation	3,966	2,986
Non-cash contribution for 401(k) plan	1,772	1,718
Provision for doubtful accounts	134	410
Excess tax benefits from share-based compensation	(742)	(880)
Other, net	1,892	2,120
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(137,881)	(104,798)
Inventories	(154,240)	(181,808)
Accounts payable and other liabilities	143,049	169,220
Other, net	1,157	(27)
Net cash used in operating activities	(59,642)	(42,208)
Cash flows from investing activities:		