

ARMSTRONG WORLD INDUSTRIES INC

Form 10-Q

April 30, 2012

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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 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 Number 1-2116

**ARMSTRONG WORLD INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

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**Pennsylvania**  
(State or other jurisdiction of  
incorporation or organization)

**23-0366390**  
(I.R.S. Employer  
Identification No.)

**2500 Columbia Avenue,**  
  
**Lancaster, Pennsylvania**  
(Address of principal executive offices)

**(717) 397-0611**

**17603**  
(Zip Code)

**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 time 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 (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 ☒

Number of shares of Armstrong World Industries, Inc.'s common stock outstanding as of April 24, 2012 58,765,038.

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### **Cautionary Note Regarding Forward-Looking Statements**

Certain information included in this report and in our other materials we have filed or will file with the Securities and Exchange Commission ( SEC ), as well as information included in oral statements or other written statements made or to be made by us, contains or may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the PSLRA ). Those statements provide our future expectations or forecasts and can be identified by our use of words such as anticipate, estimate, expect, project, intend, plan, outlook, and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance or the outcome of contingencies such as liabilities or legal proceedings.

Forward-looking statements, by their nature, address matters that are uncertain and involve risks (such as those referenced in Part II, Item 1A, Risk Factors of this report) because they relate to events and depend on circumstances that may or may not occur in the future. The risks and uncertainties identified in the forward looking statements contained in this report, together with those previously disclosed in our SEC filings, or those that are presently unforeseen, could result in significant adverse effects on our financial condition, results of operations and cash flows, and cause our actual results to differ materially from our expectations and from those expressed in our forward-looking statements.

We try to reduce the likelihood that these and other risks will significantly affect our businesses, as well as their potential impact. However, no matter how accurate our foresight, how well we evaluate risks, and how effective we are at mitigating them, one or more of these risks could have serious consequences for us, and could cause a material adverse effect on our business. See the related discussions in this document and our other SEC filings and other public documents for more details relating to the risks and uncertainties impacting our businesses. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update any forward-looking statements beyond what is required under applicable securities law.

This discussion is provided as permitted by the PSLRA, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

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### PART I

#### ITEM 1. FINANCIAL STATEMENTS

Armstrong World Industries, Inc., and Subsidiaries

Condensed Consolidated Statements of Earnings and Comprehensive Income

(amounts in millions, except per share data)

Unaudited

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net sales	\$ 668.0	\$ 685.2
Cost of goods sold	523.2	524.5
Gross profit	144.8	160.7
Selling, general and administrative expenses	116.6	120.1
Restructuring charges, net	0.2	4.9
Equity earnings from joint venture	(13.6)	(16.4)
Operating income	41.6	52.1
Interest expense	11.2	14.8
Other non-operating expense		0.3
Other non-operating (income)	(0.8)	(0.6)
Earnings before income taxes	31.2	37.6
Income tax expense	13.0	24.1
Earnings	\$ 18.2	\$ 13.5
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	5.3	11.4
Derivative (loss) gain	(2.3)	1.1
Pension and postretirement adjustments	2.4	3.3
Total other comprehensive income	5.4	15.8
Total comprehensive income	\$ 23.6	\$ 29.3
Earnings per share of common stock:		
Basic	\$ 0.31	\$ 0.23
Diluted	\$ 0.31	\$ 0.23
Average number of common shares outstanding:		
Basic	58.6	58.1
Diluted	59.1	58.8

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Dividend declared per common share

\$ 8.55

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 8.

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### Armstrong World Industries, Inc., and Subsidiaries

#### Condensed Consolidated Balance Sheets

(amounts in millions, except share data)

	Unaudited March 31, 2012	December 31, 2011
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 683.3	\$ 480.6
Accounts and notes receivable, net	269.8	232.5
Inventories, net	403.3	388.9
Deferred income taxes	39.9	45.3
Income tax receivable	23.4	23.4
Other current assets	48.6	38.6
<b>Total current assets</b>	<b>1,468.3</b>	<b>1,209.3</b>
Property, plant and equipment, less accumulated depreciation and amortization of \$538.5 and \$506.4, respectively	906.9	902.9
Prepaid pension costs	67.1	58.0
Investment in joint venture	137.0	141.0
Intangible assets, net	541.7	545.1
Restricted cash	0.2	1.5
Deferred income taxes	43.3	46.4
Other noncurrent assets	97.6	90.5
<b>Total assets</b>	<b>\$ 3,262.1</b>	<b>\$ 2,994.7</b>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Current liabilities:		
Short-term debt	\$ 0.6	\$ 2.0
Current installments of long-term debt	28.7	18.1
Accounts payable and accrued expenses	342.7	359.6
Dividends payable	507.7	
Income tax payable	8.5	4.0
Deferred income taxes	2.4	2.4
<b>Total current liabilities</b>	<b>890.6</b>	<b>386.1</b>
Long-term debt, less current installments	1,062.8	822.9
Postretirement benefit liabilities	267.6	272.2
Pension benefit liabilities	206.4	206.7
Other long-term liabilities	79.4	78.9
Income taxes payable	38.7	36.7
Deferred income taxes	59.6	61.0
<b>Total noncurrent liabilities</b>	<b>1,714.5</b>	<b>1,478.4</b>
Shareholders' equity:		
Common stock, \$0.01 par value per share, authorized 200 million shares; issued 58,762,059 shares in 2012 and 58,424,691 shares in 2011	0.6	0.6
Capital in excess of par value	1,066.0	1,467.5
Retained earnings		77.1

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Accumulated other comprehensive (loss)	(409.6)	(415.0)
Total shareholders' equity	657.0	1,130.2
Total liabilities and shareholders' equity	\$ 3,262.1	\$ 2,994.7

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 8.



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## Armstrong World Industries, Inc., and Subsidiaries Condensed Consolidated Statements of Shareholders' Equity

(amounts in millions)

Unaudited

	Three Months Ended March 31, 2012					
	Common Stock		Additional	Retained	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Capital	Earnings		
Balance at beginning of year	58,424,691	\$ 0.6	\$ 1,467.5	\$ 77.1	\$ (415.0)	\$ 1,130.2
Stock Issuance	337,368					
Share-based employee compensation			11.4			11.4
Earnings				18.2		18.2
Dividends			(412.9)	(95.3)		(508.2)
Other comprehensive income					5.4	5.4
Balance at March 31	58,762,059	\$ 0.6	\$ 1,066.0	\$	\$ (409.6)	\$ 657.0

	Three Months Ended March 31, 2011					
	Common Stock		Additional	Retained	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Capital	Deficit		
Balance at beginning of year	58,070,807	\$ 0.6	\$ 1,451.2	\$ (35.3)	\$ (325.7)	\$ 1,090.8
Stock Issuance	114,603					
Share-based employee compensation			4.0			4.0
Earnings				13.5		13.5
Other comprehensive income					15.8	15.8
Balance at March 31	58,185,410	\$ 0.6	\$ 1,455.2	\$ (21.8)	\$ (309.9)	\$ 1,124.1

See accompany