

ESTEE LAUDER COMPANIES INC

Form 10-Q

May 06, 2011

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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, 2011

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: 1-14064

The Estée Lauder Companies Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

767 Fifth Avenue, New York, New York
(Address of principal executive offices)

11-2408943

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

10153

(Zip Code)

212-572-4200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 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

(Do not check if a 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

At April 27, 2011, 120,343,190 shares of the registrant's Class A Common Stock, \$.01 par value, and 76,232,041 shares of the registrant's Class B Common Stock, \$.01 par value, were outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****THE ESTÉE LAUDER COMPANIES INC.****CONSOLIDATED STATEMENTS OF EARNINGS****(Unaudited)**

	Three Months Ended March 31		Nine Months Ended March 31	
	2011	2010	2011	2010
	(In millions, except per share data)			
Net Sales	\$ 2,165.7	\$ 1,860.0	\$ 6,749.4	\$ 5,955.7
Cost of Sales	482.6	444.6	1,511.8	1,415.1
Gross Profit	1,683.1	1,415.4	5,237.6	4,540.6
Operating expenses				
Selling, general and administrative	1,415.9	1,276.6	4,136.9	3,708.7
Restructuring and other special charges	21.8	12.5	39.6	40.0
Goodwill impairment	29.3		29.3	16.6
Impairment of other intangible assets	7.0		7.0	29.0
Total operating expenses	1,474.0	1,289.1	4,212.8	3,794.3
Operating Income	209.1	126.3	1,024.8	746.3
Interest expense, net	15.8	18.2	48.0	57.7
Earnings before Income Taxes	193.3	108.1	976.8	688.6
Provision for income taxes	68.2	50.2	316.2	231.2
Net Earnings	125.1	57.9	660.6	457.4
Net earnings attributable to noncontrolling interests	(0.4)	(0.4)	(0.9)	(3.0)
Net Earnings Attributable to The Estée Lauder Companies Inc.	\$ 124.7	\$ 57.5	\$ 659.7	\$ 454.4
Net earnings attributable to The Estée Lauder Companies Inc. per common share				
Basic	\$.63	\$.29	\$ 3.35	\$ 2.30
Diluted	.62	.28	3.28	2.27
Weighted average common shares outstanding				

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Basic	197.7	198.0	197.0	197.4
Diluted	202.0	201.8	201.1	200.1
Cash dividends declared per common share	\$	\$	\$	\$
			.75	.55

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED BALANCE SHEETS

	March 31 2011 (Unaudited)	June 30 2010
	(\$ in millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,099.0	\$ 1,120.7
Accounts receivable, net	1,249.6	746.2
Inventory and promotional merchandise, net	889.3	826.6
Prepaid expenses and other current assets	472.6	427.5
Total current assets	3,710.5	3,121.0
Property, Plant and Equipment, net	1,087.2	1,023.6
Other Assets		
Goodwill	874.4	752.5
Other intangible assets, net	232.2	109.5
Other assets	292.2	329.0
Total other assets	1,398.8	1,191.0
Total assets	\$ 6,196.5	\$ 5,335.6
LIABILITIES AND EQUITY		
Current Liabilities		
Current debt	\$ 144.7	\$ 23.4
Accounts payable	373.5	425.2
Accrued income taxes	116.8	5.6
Other accrued liabilities	1,339.5	1,118.0
Total current liabilities	1,974.5	1,572.2
Noncurrent Liabilities		
Long-term debt	1,082.8	1,205.0
Accrued income taxes	160.6	163.3
Other noncurrent liabilities	449.8	429.7
Total noncurrent liabilities	1,693.2	1,798.0
Contingencies (Note 8)		
Equity		
Common stock, \$.01 par value; 650,000,000 shares Class A authorized; shares issued: 195,627,645 at March 31, 2011 and 190,767,435 at June 30, 2010; 240,000,000 shares Class B authorized; shares issued and outstanding: 76,232,041 at March 31, 2011 and 77,082,041 at June 30, 2010	2.7	2.7
Paid-in capital	1,673.2	1,428.7
Retained earnings	4,075.4	3,564.0
Accumulated other comprehensive loss	(49.7)	(196.7)
	5,701.6	4,798.7
Less: Treasury stock, at cost; 74,770,419 Class A shares at March 31, 2011 and 70,125,805 Class A shares at June 30, 2010	(3,193.3)	(2,850.3)

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Total stockholders equity	The Estée Lauder Companies Inc.	2,508.3		1,948.4
Noncontrolling interests		20.5		17.0
Total equity		2,528.8		1,965.4
Total liabilities and equity		\$ 6,196.5	\$	5,335.6

See notes to consolidated financial statements.

Table of Contents**THE ESTÉE LAUDER COMPANIES INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	2011	Nine Months Ended March 31 (In millions)	2010
Cash Flows from Operating Activities			
Net earnings	\$	660.6	\$ 457.4
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization		212.6	196.8
Deferred income taxes		(8.1)	(28.7)
Non-cash stock-based compensation		74.5	44.8
Excess tax benefits from stock-based compensation arrangements		(38.1)	(7.7)
Loss on disposal of property, plant and equipment		4.9	10.3
Non-cash charges associated with restructuring activities		7.8	9.7
Goodwill and other intangible asset impairments		36.3	45.6
Pension and post-retirement benefit expense		51.5	44.2
Pension and post-retirement benefit contributions		(55.0)	(56.5)
Other non-cash items		0.4	0.4
Changes in operating assets and liabilities:			
Increase in accounts receivable, net		(433.9)	(132.5)
Decrease (increase) in inventory and promotional merchandise, net		(0.4)	4.0
Increase in other assets, net		(57.7)	(18.9)
Increase (decrease) in accounts payable		(81.2)	24.8
Increase in accrued income taxes		163.9	73.5
Increase in other liabilities		189.5	131.0
Net cash flows provided by operating activities		727.6	798.2
Cash Flows from Investing Activities			
Capital expenditures		(223.9)	(161.4)
Acquisition of businesses and other intangible assets, net of cash acquired		(256.1)	(9.3)
Proceeds from disposition of long-term investments		0.2	
Purchases of long-term investments			(0.1)
Net cash flows used for investing activities		(479.8)	(170.8)
Cash Flows from Financing Activities			
Increase (decrease) in current debt, net		6.7	(9.0)