

ROPER INDUSTRIES INC /DE/
Form 10-Q
May 10, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2007.
- 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 1-12273

ROPER INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

51-0263969
(I.R.S. Employer Identification No.)

6901 Professional Pkwy. East, Suite 200
Sarasota, Florida
(Address of principal executive offices)

34240
(Zip Code)

(941) 556-2601
(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark if the registrant is a shell company (as defined in Rule 12-b2 of the Act). Yes No

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The number of shares outstanding of the Registrant's common stock as of May 4, 2007 was approximately 88,280,220.

ROPER INDUSTRIES, INC.

REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Roper Industries, Inc. and Subsidiaries

Condensed Consolidated Statements of Earnings (unaudited)
(in thousands, except per share data)

	Three months ended March 31,	
	2007	2006
Net sales	\$ 478,427	\$ 382,723
Cost of sales	240,279	190,326
Gross profit	238,148	192,397
Selling, general and administrative expenses	145,297	124,921
Income from operations	92,851	67,476
Interest expense	13,472	10,799
Other expense	250	128

Roper Industries, Inc. and Subsidiaries Condensed Consolidated Statements of Earnings (unaudited) (in thousands),

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	Three months ended March 31,	
Earnings before income taxes	79,129	56,549
Income taxes	27,695	18,863
Net earnings	\$ 51,434	\$ 37,686
Net earnings per share:		
Basic	\$ 0.59	\$ 0.44
Diluted	0.56	0.42
Weighted average common shares outstanding:		
Basic	87,918	86,061
Diluted	92,300	89,711
Dividends declared per common share	\$ 0.06500	\$ 0.05875

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (unaudited)

(in thousands)

	March 31, 2007	December 31, 2006
ASSETS:		
Cash and cash equivalents	\$ 80,442	\$ 69,478
Accounts receivable, net	319,249	324,514
Inventories	186,161	168,319
Deferred taxes	17,488	17,908
Other current assets	53,230	47,276
Total current assets	656,570	627,495
Property, plant and equipment, net	106,516	107,003
Goodwill	1,662,187	1,651,208
Other intangible assets, net	617,415	544,136
Deferred taxes	26,512	21,702
Other noncurrent assets	43,580	43,815
Total assets	\$ 3,112,780	\$ 2,995,359
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable	\$ 100,012	\$ 96,139
Accrued liabilities	168,602	184,148
Income taxes payable	9,401	5,896
Deferred taxes	1,438	1,555

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	March 31, 2007	December 31, 2006
Current portion of long-term debt	307,945	299,911
Total current liabilities	587,398	587,649
Long-term debt	748,084	726,881
Deferred taxes	194,803	169,994
Other liabilities	44,165	23,996
Total liabilities	1,574,450	1,508,520
Commitments and contingencies		
Common stock	905	900
Additional paid-in capital	725,910	717,751
Retained earnings	764,245	721,899
Accumulated other comprehensive earnings	69,532	68,666
Treasury stock	(22,262)	(22,377)
Total stockholders' equity	1,538,330	1,486,839
Total liabilities and stockholders' equity	\$ 3,112,780	\$ 2,995,359

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	Three months ended March 31,	
	2007	2006
Cash flows from operating activities:		
Net earnings	\$ 51,434	\$ 37,686
Depreciation	7,656	6,624
Amortization	14,971	12,385
Income taxes	10,221	10,361
Other, net	(27,194)	(9,726)
Cash provided by operating activities	57,088	57,330
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(69,735)	(5,838)
Capital expenditures	(6,056)	(9,772)
Other, net	(326)	(910)
Cash used by investing activities	(76,117)	(16,520)

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	Three months ended March 31,	
Cash flows from financing activities:		
Term note payments	(16,375)	(8,188)
Debt borrowings/(payments), net	44,723	(22,322)
Dividends	(5,692)	(5,046)
Excess windfall tax benefit	901	--
Proceeds from exercise of stock options	5,257	7,934
Other, net	543	445
	<u>29,357</u>	<u>(27,177)</u>
Cash provided/(used) by financing activities		
Effect of foreign currency exchange rate changes on cash	636	408
	<u>10,964</u>	<u>14,041</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of period	69,478	53,116
	<u>\$ 80,442</u>	<u>\$ 67,157</u>
Cash and cash equivalents, end of period		

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries

Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)

(in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Treasury stock	Total
Balances at December 31, 2006	\$ 900	\$ 717,751	\$ 721,899	\$ 68,666	\$ (22,377)	\$ 1,486,839
Adjustment to adopt FASB Interpretation No. 48	--	--	(3,349)	--	--	(3,349)
Net earnings	--	--	51,434	--	--	51,434
Stock option exercises	4	5,253	--	--	--	5,257
Treasury stock transactions	--	429	--	--	115	544
Currency translation adjustments, net of \$(1,921) tax	--	--	--	1,478	--	1,478
Unrealized gain on derivative, shown net of \$(330) tax	--	--	--	(612)	--	(612)
Stock based compensation	--	4,549	--	--	--	4,549
Restricted stock grants	1	(2,973)	--	--	--	(2,972)
Stock option tax benefit	--	901	--	--	--	901
Dividends declared	--	--	(5,739)	--	--	(5,739)
Balances at March 31, 2007	<u>\$ 905</u>	<u>\$ 725,910</u>	<u>\$ 764,245</u>	<u>\$ 69,532</u>	<u>\$ (22,262)</u>	<u>\$ 1,538,330</u>

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
March 31, 2007

1. Basis of Presentation

The accompanying condensed consolidated financial statements for the three-month periods ended March 31, 2007 and 2006 are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the financial position, results of operations and cash flows of Roper Industries, Inc. and its subsidiaries (Roper or the Company) for all periods presented.

Roper s management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Actual results could differ from those estimates.

The results of operations for the three-month period ended March 31, 2007 are not necessarily indicative of the results to be expected for the full year. You should read these unaudited condensed consolidated financial statements in conjunction with Roper s consolidated financial statements and the notes thereto included in its 2006 Annual Report on Form 10-K filed March 1, 2007 with the Securities and Exchange Commission (SEC).

2. Earnings Per Share

Basic earnings per share were calculated using net earnings and the weighted average number of shares of common stock outstanding during the respective period. Diluted earnings per share were calculated using net earnings and the weighted average number of shares of common stock and potential common stock outstanding during the respective period. Potentially dilutive common stock consisted of stock options, restricted stock awards and the premium over the conversion price on our senior subordinated convertible notes based upon the trading price of the Company s common stock. The effects of potential common stock were determined using the treasury stock method (in thousands). As of March 31, 2007, there were 271,000 outstanding stock options that were not included in the determination of diluted earnings per share because doing so would have been antidilutive.

	Three months ended March 31,	
	2007	2006
Basic shares outstanding	87,918	86,061
Effect of potential common stock		
Common stock awards	1,558	1,825
Senior subordinated convertible notes	2,824	1,825
Diluted shares outstanding	92,300	89,711

3. Stock Based Compensation

Roper Industries, Inc. 2006 Incentive Plan (2006 Plan) allows us to grant incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights or equivalent instruments to the Company s employees, officers, directors and consultants. Roper has never issued stock awards other than those issued to employees or its non-employee directors.

Roper s stock purchase plan allows U.S. and Canada employees to designate up to 10% of eligible earnings to purchase Roper s common stock at a 10% discount to the average closing price of its common stock at the beginning and end of a quarterly offering period. The common stock sold to the employees may be either treasury stock, stock purchased on the open market, or newly issued shares.

The Company recognized stock based compensation expense of \$4.5 million and \$3.6 million for the quarters ended March 31, 2007 and 2006, respectively. The total tax effect recognized in net income related to stock based compensation was \$1.6 million and \$1.3 million for the quarters ended March 31, 2007 and 2006, respectively.

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Stock Options In the quarter ended March 31, 2007, 271,000 options were granted with a weighted average fair value of \$13.50. During the same period in 2006, 365,800 options were granted with a weighted average fair value of \$13.60. All options were issued at grant date fair value.

The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option-pricing model with the assumptions included in the table below. The Company uses historical data among other factors to estimate the expected price volatility, the expected dividend yield, the expected option life and the expected forfeiture rate. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The following weighted average assumptions were used to estimate the fair value of options granted during the three months ended March 31, 2007 using the Black-Scholes option-pricing model:

Fair value per share (\$)	13.50
Risk-free interest rate (%)	4.74
Expected option life (years)	4.5
Expected volatility (%)	21.36
Expected dividend yield (%)	