

ITT CORP
Form 10-Q
August 07, 2006

**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

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 1-5672

ITT CORPORATION

State of Indiana
*(State or Other Jurisdiction
of Incorporation or Organization)*

13-5158950
*(I.R.S. Employer
Identification Number)*

4 West Red Oak Lane, White Plains, NY 10604
(Principal Executive Office)

Telephone Number: (914) 641-2000

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 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

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As of July 31, 2006, there were outstanding 184,674,678 shares of common stock (\$1 par value per share) of the registrant.

ITT CORPORATION

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PART I.**FINANCIAL INFORMATION****Item 1.****FINANCIAL STATEMENTS****ITT CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED INCOME STATEMENTS****(In millions, except per share amounts)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Sales and revenues	\$ 2,067.9	\$ 1,863.9	\$ 3,954.6	\$ 3,629.8
Costs of sales and revenues	1,491.9	1,353.0	2,875.4	2,649.4
Selling, general, and administrative expenses	295.5	262.5	565.8	525.4
Research and development expenses	43.7	44.6	86.4	88.9
Restructuring and asset impairment charges, net	10.0	5.7	25.1	24.1
Total costs and expenses	1,841.1	1,665.8	3,552.7	3,287.8
Operating income	226.8	198.1	401.9	342.0
Interest expense	21.5	13.9	41.4	34.0
Interest income	4.8	5.5	8.5	19.7
Miscellaneous expense, net	4.2	5.5	9.5	10.5
Income from continuing operations before income tax expense	205.9	184.2	359.5	317.2
Income tax expense	63.5	53.2	109.6	64.8
Income from continuing operations	142.4	131.0	249.9	252.4
Discontinued operations: (Loss) income from discontinued operations, including tax (benefit) expense of \$(0.6), \$3.2, \$6.8 and \$0.1, respectively	(1.5)	6.7	46.9	1.8
Net income	\$ 140.9	\$ 137.7	\$ 296.8	\$ 254.2
Earnings Per Share⁽¹⁾:				
Income from continuing operations:				
Basic	\$ 0.77	\$ 0.71	\$ 1.35	\$ 1.37

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Diluted	\$ 0.76	\$ 0.70	\$ 1.33	\$ 1.34
Discontinued operations:				
Basic	\$ (0.01)	\$ 0.04	\$ 0.26	\$ 0.01
Diluted	\$ (0.01)	\$ 0.03	\$ 0.25	\$ 0.01
Net income:				
Basic	\$ 0.76	\$ 0.75	\$ 1.61	\$ 1.38
Diluted	\$ 0.75	\$ 0.73	\$ 1.58	\$ 1.35
Cash dividends declared per common share	\$ 0.11	\$ 0.09	\$ 0.22	\$ 0.18
Average Common Shares Basic	184.3	184.5	184.4	184.6
Average Common Shares Diluted	187.2	188.5	187.5	188.5

(1) Restated for two-for-one stock split effective February 21, 2006.

The accompanying notes to consolidated condensed financial statements are an integral part of the above income statements.

ITT CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(In millions, except share and per share amounts)

(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Current Assets:		
Cash and cash equivalents	\$ 755.0	\$ 451.0
Receivables, net	1,403.9	1,268.1
Inventories, net	728.3	661.3
Current assets of discontinued operations		256.9
Deferred income taxes	74.3	73.6
Other current assets	99.0	69.9
Total current assets	3,060.5	2,780.8
Plant, property, and equipment, net	840.1	837.0
Deferred income taxes	90.9	87.5
Goodwill, net	2,348.4	2,249.1
Other intangible assets, net	209.9	214.8
Other assets	976.5	894.2
Total non-current assets	4,465.8	4,282.6
Total assets	\$ 7,526.3	\$ 7,063.4
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	\$ 869.2	\$ 797.2
Accrued expenses	788.6	745.8
Accrued taxes	147.9	187.1
Notes payable and current maturities of long-term debt	900.1	751.4
Current liabilities of discontinued operations		77.9
Other current liabilities	9.7	8.3
Total current liabilities	2,715.5	2,567.7
Pension benefits	442.2	428.3
Postretirement benefits other than pensions	303.7	305.5
Long-term debt	516.2	516.3
Other liabilities	521.7	522.2

Total non-current liabilities	1,783.8	1,772.3
Total liabilities	4,499.3	4,340.0
Shareholders' Equity⁽¹⁾		
Common stock:		
Authorized 250,000,000 shares, \$1 par value per share Outstanding:		
184,638,058 shares and 184,637,920 shares	184.2	184.6
Retained earnings	2,871.8	2,666.0
Accumulated other comprehensive income (loss):		
Unrealized loss on investment securities and cash flow hedges	(0.6)	(0.5)
Minimum pension liability	(120.4)	(120.4)
Cumulative translation adjustments	92.0	(6.3)
Total accumulated other comprehensive loss	(29.0)	(127.2)
Total shareholders' equity	3,027.0	2,723.4
Total liabilities and shareholders' equity	\$ 7,526.3	\$ 7,063.4

⁽¹⁾ Restated for two-for-one stock split effective February 21, 2006.

The accompanying notes to consolidated condensed financial statements are an integral part of the above balance sheets.

ITT CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended June 30,	
	2006	2005
Operating Activities		
Net income	\$ 296.8	\$ 254.2
(Income) loss from discontinued operations	(46.9)	(1.8)
Income from continuing operations	249.9	252.4
Adjustments to income from continuing operations:		
Depreciation and amortization	92.5	96.4
Amortization of stock compensation	11.0	0.6
Restructuring and asset impairment charges, net	25.1	24.1
Payments for restructuring	(29.6)	(21.1)
Change in receivables	(120.2)	(183.0)
Change in inventories	(46.8)	(29.3)
Change in accounts payable and accrued expenses	64.3	99.4
Change in accrued and deferred taxes	(35.9)	15.6
Change in other current and non-current assets	(94.4)	(104.7)
Change in non-current liabilities	1.0	(2.1)
Other, net	4.0	(0.2)
Net cash operating activities	120.9	148.1
Investing Activities		
Additions to plant, property, and equipment	(64.8)	(64.1)
Acquisitions, net of cash acquired	(74.0)	(1.5)
Proceeds from sale of assets and businesses	230.7	7.7
Other, net	(6.3)	
Net cash investing activities	85.6	(57.9)
Financing Activities		
Short-term debt, net	147.2	163.5
Long-term debt repaid	(1.0)	(4.6)
Long-term debt issued	0.1	0.4
Repurchase of common stock	(130.2)	(118.2)
Proceeds from issuance of common stock	50.9	56.3
Dividends paid	(37.0)	(49.8)
Other, net	12.8	(0.1)

Net cash financing activities	42.8	47.5
Exchange Rate Effects on Cash and Cash Equivalents	28.6	(21.7)
Net Cash Discontinued Operations Operating Activities	28.3	13.1
Net Cash Discontinued Operations Investing Activities	(2.2)	(7.8)
Net change in cash and cash equivalents	304.0	121.3
Cash and cash equivalents beginning of period	451.0	262.9
Cash and cash equivalents end of period	\$ 755.0	\$ 384.2
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 36.9	\$ 25.3
Income taxes	\$ 145.6	\$ 49.2