

Hill-Rom Holdings, Inc.
Form 10-Q
January 25, 2013

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 December 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 No. 1-6651

HILL-ROM HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction of incorporation or
organization)

35-1160484
(I.R.S. Employer Identification No.)

1069 State Route 46 East
Batesville, Indiana
(Address of principal executive offices)

47006-8835
(Zip Code)

(812) 934-7777
(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).

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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 (as defined 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.

Common Stock, without par value – 60,335,161 shares as of January 18, 2013.

HILL-ROM HOLDINGS, INC.

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Hill-Rom Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)
(Dollars in millions except per share data)

	Quarterly Period Ended December	
	2012	2011
Net Revenues		
Capital sales	\$ 324.4	\$ 266.9
Rental revenues	104.0	114.2
Total revenues	428.4	381.1
Cost of Revenues		
Cost of goods sold	188.9	147.7
Rental expenses	48.1	48.3
Total cost of revenues	237.0	196.0
Gross Profit	191.4	185.1
Research and development expenses	17.2	15.3
Selling and administrative expenses	136.1	120.2
Litigation charge	1.0	-
Operating Profit	37.1	49.6
Interest expense	(2.3)	(1.8)
Investment income and other, net	0.5	0.6
Income Before Income Taxes	35.3	48.4
Income tax expense (Note 8)	11.3	15.5
Net Income	\$ 24.0	\$ 32.9
Net Income per Common Share - Basic	\$ 0.39	\$ 0.53
Net Income per Common Share - Diluted	\$ 0.39	\$ 0.53
Dividends per Common Share	\$ 0.1250	\$ 0.1125
Average Common Shares Outstanding - Basic (thousands) (Note 9)	60,903	61,976
Average Common Shares Outstanding - Diluted (thousands) (Note 9)	61,106	62,337

See Notes to Condensed Consolidated Financial Statements

Hill-Rom Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(Dollars in millions)

	Quarterly Period Ended December	
	2012	2011
Net income	\$ 24.0	\$ 32.9
Other comprehensive income (loss):		
Available-for-sale securities and currency hedges, net of tax of \$0.0 million and \$0.0 million, respectively	0.2	0.2
Foreign currency translation adjustment, net of tax of \$0.0 million and (\$0.9) million, respectively	5.5	(3.4)
Items not yet recognized as a component of net periodic pension and postretirement healthcare costs, net of tax of \$0.0 million and \$0.0 million, respectively	-	(0.2)
Total other comprehensive income (loss)	5.7	(3.4)
Total comprehensive income	\$ 29.7	\$ 29.5

See Notes to Condensed Consolidated Financial Statements

Hill-Rom Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in millions)

	December 31, 2012	September 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 107.6	\$ 84.3
Trade accounts receivable, net of allowances (Note 2)	373.1	392.6
Inventories (Note 2)	122.7	126.9
Deferred income taxes (Notes 1 and 8)	48.3	48.6
Other current assets	30.7	29.4
Total current assets	682.4	681.8
Property, plant and equipment, net (Note 2)	245.5	250.1
Investments and investment securities (Notes 1 and 6)	7.3	7.3
Goodwill (Note 1)	342.5	335.2
Software and other intangible assets, net (Note 2)	280.5	290.8
Deferred income taxes (Notes 1 and 8)	34.3	38.9
Other assets	22.5	23.5
Total Assets	\$ 1,615.0	\$ 1,627.6
LIABILITIES		
Current Liabilities		
Trade accounts payable	\$ 78.2	\$ 80.7
Short-term borrowings (Note 4)	115.2	115.2
Accrued compensation	66.8	73.4
Accrued product warranties (Note 11)	42.0	42.2
Other current liabilities	69.5	66.6
Total current liabilities	371.7	378.1
Long-term debt (Note 4)	234.6	237.5
Accrued pension and postretirement benefits (Note 5)	89.8	89.6
Deferred income taxes (Notes 1 and 8)	56.1	68.1
Other long-term liabilities	41.9	41.7
Total Liabilities	794.1	815.0
Commitments and Contingencies (Note 13)		
SHAREHOLDERS' EQUITY		
Common Stock (Note 2)	4.4	4.4
Additional paid-in-capital	115.2	116.8
Retained earnings	1,416.7	1,400.3
Accumulated other comprehensive loss	(72.3)	(78.0)
Treasury stock, at cost (Note 2)	(643.1)	(630.9)
Total Shareholders' Equity	820.9	812.6
Total Liabilities and Shareholders' Equity	\$ 1,615.0	\$ 1,627.6

See Notes to Condensed Consolidated Financial Statements

Hill-Rom Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Quarterly Period Ended December	
	2012	31 2011
Operating Activities		
Net income	\$ 24.0	\$ 32.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31.1	26.6
Provision for deferred income taxes	(4.4)	(3.6)
Loss (gain) on disposal of property, equipment leased to others, intangible assets and impairments	0.3	(1.6)
Stock compensation	3.3	2.5
Excess tax benefits from employee stock plans	(0.1)	(0.7)
Change in working capital excluding cash, current investments, current debt, acquisitions and dispositions:		
Trade accounts receivable	19.5	34.8
Inventories	4.2	1.8
Other current assets	(4.7)	16.5
Trade accounts payable	(2.5)	(1.7)
Accrued expenses and other liabilities	(7.9)	(43.5)
Other, net	2.0	(1.9)
Net cash provided by operating activities	64.8	62.1
Investing Activities		
Capital expenditures and purchase of intangibles	(16.5)	(18.6)
Proceeds on sale of property and equipment leased to others	2.9	3.1
Payment for acquisition of businesses, net of cash acquired	(0.2)	-
Net cash used in investing activities	(13.8)	(15.5)
Financing Activities		
Change in short-term debt	-	(3.8)
Payment of long-term debt	(2.8)	