

GRIFFON CORP  
Form 10-Q  
May 12, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**x** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, 2008**

**o** **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: **1-06620**

**GRIFFON CORPORATION**

(Exact name of registrant as specified in its charter)

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

**11-1893410**  
(I.R.S. Employer  
Identification No.)

**100 JERICHO QUADRANGLE, JERICHO, NEW YORK**  
(Address of principal executive offices)

**11753**  
(Zip Code)

**(516) 938-5544**

(Registrant's telephone number, including area code)

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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, a non-accelerated filer, or a smaller reporting company. See 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

(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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 29,908,813 shares of Common Stock as of April 30, 2008.

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## Part I Financial Information

## Item 1 Financial Statements

GRIFFON CORPORATION AND SUBSIDIARIESCONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2008	September 30, 2007
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 39,401,000	\$ 44,747,000
Accounts receivable, less allowance for doubtful accounts of \$7,808,000 at March 31, 2008 and \$7,492,000 at September 30, 2007	177,353,000	199,834,000
Contract costs and recognized income not yet billed	73,327,000	77,184,000
Inventories, net	163,695,000	154,565,000
Assets of discontinued operations	6,532,000	19,212,000
Prepaid expenses and other current assets	54,457,000	49,884,000
<b>Total current assets</b>	<b>514,765,000</b>	<b>545,426,000</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b> , at cost, net of accumulated depreciation and amortization of \$283,906,000 at March 31, 2008 and \$256,688,000 at September 30, 2007	<b>232,492,000</b>	<b>233,078,000</b>
<b>OTHER ASSETS:</b>		
Costs in excess of fair value of net assets of businesses acquired, net	120,912,000	114,756,000
Intangible assets and other	74,934,000	66,598,000
	195,846,000	181,354,000
	<b>\$ 943,103,000</b>	<b>\$ 959,858,000</b>

See notes to condensed consolidated financial statements.

GRIFFON CORPORATION AND SUBSIDIARIESCONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2008	September 30, 2007
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
<u>CURRENT LIABILITIES:</u>		
Notes payable and current portion of long-term debt	\$ 3,987,000	\$ 3,392,000
Accounts payable	115,732,000	103,833,000
Accrued liabilities	76,952,000	77,628,000
Liabilities of discontinued operations	4,211,000	2,919,000
Income taxes	510,000	14,153,000
Total current liabilities	201,392,000	201,925,000
LONG-TERM DEBT	202,612,000	229,438,000
OTHER LIABILITIES AND DEFERRED CREDITS	76,451,000	61,556,000
Total liabilities and deferred credits	480,455,000	492,919,000
<u>COMMITMENTS AND CONTINGENCIES</u>		
<u>SHAREHOLDERS' EQUITY:</u>		
Preferred stock, par value \$.25 per share, authorized 3,000,000 shares, no shares issued		
Common stock, par value \$.25 per share, authorized 85,000,000 shares, issued 42,348,828 shares and 42,328,821 shares at March 31, 2008 and September 30, 2007, respectively	10,587,000	10,582,000
Capital in excess of par	181,147,000	180,022,000
Retained earnings	433,771,000	461,163,000
Treasury shares, at cost, 12,440,015 common shares at March 31, 2008 and 12,399,115 common shares at September 30, 2007	(213,310,000)	(212,731,000)
Accumulated other comprehensive income	51,814,000	29,522,000
Deferred compensation	(1,361,000)	(1,619,000)
Total shareholders' equity	462,648,000	466,939,000
	\$ 943,103,000	\$ 959,858,000

See notes to condensed consolidated financial statements.

GRIFFON CORPORATION AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	<b>THREE MONTHS ENDED MARCH 31,</b>	
	<b>2008</b>	<b>2007</b>
Net sales	\$ 320,347,000	\$ 369,140,000
Cost of sales	256,783,000	292,296,000
Gross profit	63,564,000	76,844,000
Selling, general and administrative expenses	71,968,000	73,712,000
Restructuring and other related charges	2,992,000	
Total operating expenses	74,960,000	73,712,000
Income (loss) from operations	(11,396,000)	3,132,000
Other income (expense):		
Interest expense	(3,286,000)	(3,052,000)
Interest income	599,000	752,000
Other, net	802,000	569,000
	(1,885,000)	(1,731,000)
Income (loss) from continuing operations before income taxes	(13,281,000)	1,401,000
Provision (benefit) for income taxes	(522,000)	563,000
Income (loss) from continuing operations before discontinued operations	(12,759,000)	838,000
Discontinued operations (net of taxes):		
Loss from operation of discontinued operations (net of tax benefit of \$2,800,000 and \$121,000 for the three-month periods ended March 31, 2008 and 2007, respectively)	(8,611,000)	(583,000)
Net income (loss)	\$ (21,370,000)	\$ 255,000
Basic earnings (loss) per share:		
Continuing operations	\$ (.42)	.03
Discontinued operations	(.29)	(.02)
	\$ (.71)	\$ .01
Diluted earnings (loss) per share:		
Continuing operations	\$ (.42)	.03
Discontinued operations	(.29)	(.02)
	\$ (.71)	\$ .01
Weighted-average shares outstanding basic	30,057,000	29,948,000
Weighted-average shares outstanding diluted	30,057,000	31,166,000

See notes to condensed consolidated financial statements.

GRIFFON CORPORATION AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	<b>SIX MONTHS ENDED MARCH 31,</b>	
	<b>2008</b>	<b>2007</b>
Net sales	\$ 648,841,000	\$ 782,128,000
Cost of sales	511,201,000	617,317,000
Gross profit	137,640,000	164,811,000
Selling, general and administrative expenses	143,895,000	145,368,000
Restructuring and other related charges	4,683,000	
Total operating expenses	148,578,000	145,368,000
Income (loss) from operations	(10,938,000)	19,443,000
Other income (expense):		
Interest expense	(6,201,000)	(5,996,000)
Interest income	1,480,000	1,372,000
Other, net	1,605,000	1,183,000
	(3,116,000)	(3,441,000)
Income (loss) from continuing operations before income taxes	(14,054,000)	16,002,000
Provision (benefit) for income taxes	(553,000)	6,434,000
Income (loss) from continuing operations before discontinued operations	(13,501,000)	9,568,000
Discontinued operations (net of taxes):		
Loss from operation of discontinued operations (net of tax benefit of \$3,807,000 and \$99,000 for the six-month periods ended March 31, 2008 and 2007, respectively)	(9,224,000)	(848,000)
Net income (loss)	\$ (22,725,000)	\$ 8,720,000
Basic earnings (loss) per share:		
Continuing operations	\$ (.45)	.32
Discontinued operations	(.31)	(.03)
	\$ (.76)	\$ .29
Diluted earnings (loss) per share:		
Continuing operations	\$ (.45)	.31
Discontinued operations	(.31)	(.03)
	\$ (.76)	\$ .28
Weighted-average shares outstanding basic	30,054,000	29,950,000
Weighted-average shares outstanding diluted	30,054,000	31,117,000

See notes to condensed consolidated financial statements.

**GRIFFON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	<b>SIX MONTHS ENDED MARCH 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (22,725,000)	\$ 8,720,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,033,000	19,765,000
Stock-based compensation	1,194,000	1,303,000
Provision for losses on accounts receivable	5,480,000	734,000
Write-off of unamortized deferred financing costs	495,000	
Deferred income taxes	707,000	706,000
Change in assets and liabilities:		
Decrease in accounts receivable and contract costs and recognized income not yet billed	32,123,000	32,828,000
Increase in inventories	(2,433,000)	(6,658,000)
Increase in prepaid expenses and other assets	(8,624,000)	(1,217,000)
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	86,000	(36,989,000)
Other changes, net	551,000	155,000
	51,612,000	10,627,000
Net cash provided by operating activities	28,887,000	19,347,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(12,050,000)	(19,477,000)
Acquisition of business	(1,750,000)	(17,167,000)
Proceeds from sale of investment	1,000,000	
Decrease (increase) in equipment lease deposits	4,024,000	(1,473,000)
Funds restricted for capital projects		(4,421,000)
Net cash used in investing activities	(8,776,000)	(42,538,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Purchase of shares for treasury	(579,000)	(2,300,000)
Proceeds from issuance of long-term debt	50,000,000	42,891,000
Payments of long-term debt	(76,716,000)	(482,000)
Increase (decrease) in short-term borrowings	377,000	(5,625,000)
Exercise of stock options		1,111,000
Tax benefit from exercise of stock options		278,000
Other, net	480,000	(1,238,000)
Net cash provided by (used in) financing activities	(26,438,000)	34,635,000
Effect of exchange rate changes on cash and cash equivalents	981,000	541,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,346,000)</b>	<b>11,985,000</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>44,747,000</b>	<b>22,389,000</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 39,401,000</b>	<b>\$ 34,374,000</b>

See notes to condensed consolidated financial statements.







**GRIFFON CORPORATION**

**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

**FOR THE SIX MONTHS ENDED MARCH 31, 2008**

**(Unaudited)**

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	COMMON STOCK		CAPITAL IN EXCESS OF		RETAINED	TREASURY SHARES	ACCUMULATED OTHER COMPREHENSIVE			COMPREHENSIVE	
	SHARES	PAR VALUE	PAR VALUE	EARNINGS	EARNINGS	SHARES	COST	INCOME	DEFERRED COMPENSATION	Total	INCOME
Balances, October 1, 2007	42,328,821	\$ 10,582,000	\$ 180,022,000	\$ 461,163,000		12,399,115	\$ (212,731,000)	\$ 29,522,000	\$ (1,619,000)	\$ 466,939,000	
Foreign currency translation adjustment								22,292,000		22,292,000	\$ 22,292,000
Net loss				(22,725,000)						(22,725,000)	(22,725,000)
Comprehensive income (loss)											\$ (433,000)
Amortization of deferred compensation									207,000	207,000	
Purchase of treasury shares											

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