

FULLER H B CO
Form 10-Q
March 28, 2011

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 February 26, 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: 001-09225

H.B. FULLER COMPANY

(Exact name of registrant as specified in its charter)

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Minnesota
(State or other jurisdiction of
incorporation or organization)

41-0268370
(I.R.S. Employer
Identification No.)

1200 Willow Lake Boulevard, St. Paul, Minnesota
(Address of principal executive offices)

55110-5101
(Zip Code)

(651) 236-5900

(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 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 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 (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares outstanding of the Registrant's Common Stock, par value \$1.00 per share, was 49,426,580 as of March 17, 2011.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****H.B. FULLER COMPANY AND SUBSIDIARIES****Consolidated Statements of Income**

(In thousands, except per share amounts)

(Unaudited)

	13 Weeks Ended	
	February 26, 2011	February 27, 2010
Net revenue	\$ 339,548	\$ 309,442
Cost of sales	(242,644)	(211,763)
Gross profit	96,904	97,679
Selling, general and administrative expenses	(75,653)	(71,448)
Asset impairment charges	(332)	
Other income (expense), net	294	(63)
Interest expense	(2,581)	(1,948)
Income before income taxes and income from equity method investments	18,632	24,220
Income taxes	(6,285)	(7,059)
Income from equity method investments	1,860	1,815
Net income including non-controlling interests	14,207	18,976
Net (income) loss attributable to non-controlling interests	144	(24)
Net income attributable to H.B. Fuller	\$ 14,351	\$ 18,952
Earnings per share attributable to H.B. Fuller common stockholders:		
Basic	\$ 0.29	\$ 0.39
Diluted	\$ 0.29	\$ 0.38
Weighted-average common shares outstanding:		
Basic	49,006	48,491
Diluted	49,877	49,494
Dividends declared per common share	\$ 0.070	\$ 0.068
See accompanying notes to consolidated financial statements.		

H.B. FULLER COMPANY AND SUBSIDIARIES**Consolidated Balance Sheets**

(In thousands, except share and per share amounts)

(Unaudited)

	February 26, 2011	November 27, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 121,938	\$ 133,277
Trade receivables (net of allowances - \$5,370 and \$5,895, for February 26, 2011 and November 27, 2010, respectively)	226,835	221,020
Inventories	143,836	121,621
Other current assets	58,416	57,699
Total current assets	551,025	533,617
Property, plant and equipment	821,245	806,804
Accumulated depreciation	(568,559)	(555,729)
Property, plant and equipment, net	252,686	251,075
Goodwill	112,392	108,970
Other intangibles, net	129,266	131,517
Other assets	128,352	128,278
Total assets	\$ 1,173,721	\$ 1,153,457
Liabilities and total equity		
Current liabilities:		
Notes payable	\$ 23,573	\$ 27,243
Current maturities of long-term debt	22,500	22,500
Trade payables	122,871	102,107
Accrued compensation	33,489	45,645
Income taxes payable	5,168	4,931
Other accrued expenses	22,103	28,907
Total current liabilities	229,704	231,333
Long-term debt, excluding current maturities	193,096	200,978
Accrued pension liabilities	39,588	42,788
Other liabilities	44,132	43,968
Total liabilities	506,520	519,067
Commitments and contingencies		
Equity:		
H.B. Fuller stockholders' equity:		
Preferred stock (no shares outstanding) Shares authorized	10,045,900	

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Common stock, par value \$1.00 per share, Shares authorized 160,000,000, Shares outstanding 49,419,071 and 49,194,251, for February 26, 2011 and November 27, 2010, respectively	49,419	49,194
Additional paid-in capital	25,701	22,701
Retained earnings	657,460	646,596
Accumulated other comprehensive income (loss)	(67,700)	(86,557)
Total H.B. Fuller stockholders' equity	664,880	631,934
Non-controlling interests	2,321	2,456
Total equity	667,201	634,390
Total liabilities and total equity	\$ 1,173,721	\$ 1,153,457

See accompanying notes to consolidated financial statements.

H.B. FULLER COMPANY AND SUBSIDIARIES**Consolidated Statements of Total Equity**

(In thousands)

(Unaudited)

	H.B. Fuller Company Shareholders					Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interests	
Balance at November 28, 2009	\$ 48,658	\$ 12,309	\$ 589,451	\$ (59,064)	\$ 2,888	\$ 594,242
Net income including non-controlling interests			70,877		(458)	70,419
Foreign currency translation				(28,666)	26	(28,640)
Medicare Part D Subsidy tax adjustment				(1,484)		(1,484)
Defined benefit pension plans adjustment, net of tax of \$(1,523)				2,626		2,626
Interest rate swap, net of tax				31		31
Comprehensive income						42,952
Dividends			(13,732)			(13,732)
Stock option exercises	358	3,592				3,950
Share-based compensation plans other, net	196	6,650				6,846
Tax benefit on share-based compensation plans		509				509
Repurchases of common stock	(18)	(359)				(377)
Balance at November 27, 2010	49,194	22,701	646,596	(86,557)	2,456	634,390
Net income including non-controlling interests			14,351		(144)	14,207
Foreign currency translation				17,400	9	17,409
Defined benefit pension plans adjustment, net of tax of \$833				1,447		1,447
Interest rate swaps, net of tax				10		10
Comprehensive income						33,073
Dividends			(3,487)			(3,487)
Stock option exercises	308	4,495				4,803
Share-based compensation plans other, net	56	1,290				1,346
Tax benefit on share-based compensation plans		200				200
Repurchases of common stock	(139)	(2,985)				(3,124)
Balance at February 26, 2011	\$ 49,419	\$ 25,701	\$ 657,460	\$ (67,700)	\$ 2,321	\$ 667,201

See accompanying notes to consolidated financial statements.

H.B. FULLER COMPANY AND SUBSIDIARIES**Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

	13 Weeks Ended	
	February 26, 2011	February 27, 2010
Cash flows from operating activities:		
Net income including non-controlling interests	\$ 14,207	\$ 18,976
Adjustments to reconcile net income including non-controlling interests to net cash provided by operating activities:		
Depreciation	7,580	7,440
Amortization	2,486	3,011
Deferred income taxes	967	387