

MSC INDUSTRIAL DIRECT CO INC
Form 10-Q
January 05, 2012

**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 November 26, 2011**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For transition period from to**

Commission File No.: 1-14130

MSC INDUSTRIAL DIRECT CO., INC.

(Exact name of registrant as specified in its charter)

New York
(State or Other Jurisdiction of
Incorporation or Organization)

11-3289165
(I.R.S. Employer Identification No.)

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75 Maxess Road, Melville, New York
(Address of principal executive offices)

11747
(Zip Code)
(516) 812-2000

(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 website, 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 the 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

As of December 29, 2011, 46,800,506 shares of Class A common stock and 16,300,474 shares of Class B common stock of the registrant were outstanding.

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SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q (the Report) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Discussions containing such forward-looking statements may be found in Items 2 and 3 of Part I of this Report, as well as within this Report generally. The words believes, anticipates, thinks, expects, estimates, plans, intends, and similar expressions are intended to identify forward-looking statements.

In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this Report with the Securities and Exchange Commission (the SEC). These forward-looking statements are subject to risks and uncertainties, including, without limitation, those discussed in this section and Items 2 and 3 of Part I, as well as in Part II, Item 1A, Risk Factors of this Report, and in Part I, Item 1A, Risk Factors and in Part II, Item 7, Management Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended August 27, 2011. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

These risks and uncertainties include, but are not limited to:

- current economic, political, and social conditions;
 - general economic conditions in the markets in which the Company operates;
 - changing customer and product mixes;
 - risks associated with acquisitions, including difficulties with integrating acquired businesses;
 - competition;
 - industry consolidation and other changes in the industrial distribution sector;
 - volatility in commodity and energy prices;
 - the outcome of potential government or regulatory proceedings or future litigation;
 - credit risk of our customers;
 - risk of cancellation or rescheduling of orders;
 - work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers or shipping ports;
 - risk of loss of key suppliers, key brands or supply chain disruptions;
 - dependence on our information systems; and
 - retention of key personnel.
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(In thousands, except share data)**

	November 26, 2011 (Unaudited)	August 27, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$128,234	\$95,959
Accounts receivable, net of allowance for doubtful accounts of \$7,434 and \$6,184, respectively	269,872	266,545
Inventories	360,532	344,854
Prepaid expenses and other current assets	26,292	22,545
Deferred income taxes	27,135	28,531
Total current assets	812,065	758,434
Property, plant and equipment, net	154,898	148,813
Goodwill	277,431	277,431
Identifiable intangibles, net	46,106	48,308
Other assets	9,402	11,437
Total assets	\$1,299,902	\$1,244,423
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of capital lease and financing obligations	\$1,279	\$
Accounts payable	88,309	95,538
Accrued liabilities	74,772	76,664
Total current liabilities	164,360	172,202
Capital lease obligations, net of current maturities	2,789	
Deferred income taxes and tax uncertainties	81,907	79,109
Total liabilities	249,056	251,311
Commitments and Contingencies		
Shareholders' Equity:		
Preferred stock; \$0.001 par value; 5,000,000 shares authorized; none issued and outstanding		
Class A common stock (one vote per share); \$0.001 par value; 100,000,000 shares authorized; 51,583,553 and 51,123,180 shares issued, respectively	52	51

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Class B common stock (ten votes per share); \$0.001 par value; 50,000,000 shares authorized; 16,300,474 and 16,400,474 shares issued and outstanding, respectively	16	16
Additional paid-in capital	456,287	439,035
Retained earnings	819,193	775,149
Accumulated other comprehensive loss	(2,777)	(2,085)
Class A treasury stock, at cost, 4,761,999 and 4,722,706 shares, respectively	(221,925)	(219,054)
Total shareholders equity	1,050,846	993,112
Total liabilities and shareholders equity	\$1,299,902	\$1,244,423

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended	
	November 26, 2011	November 27, 2010
Net sales	\$ 545,703	\$ 472,827
Cost of goods sold	293,570	255,134
Gross profit	252,133	217,693
Operating expenses	155,309	140,543
Income from operations	96,824	77,150
Other (expense) income:		
Interest expense	(46)	(99)
Interest income	50	25
Other expense, net	(4)	(31)
Total other expense		(105)
Income before provision for income taxes	96,824	77,045
Provision for income taxes	36,987	29,485
Net income	\$ 59,837	\$ 47,560
Per share information:		
Net income per common share:		
Basic	\$ 0.95	\$ 0.75
Diluted	\$ 0.95	\$ 0.75
Weighted average shares used in computing net income per common share:		
Basic	62,285	62,370
Diluted	62,627	62,795
Cash dividend declared per common share	\$ 0.25	\$ 1.22

See accompanying notes to condensed consolidated financial statements.

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MSC INDUSTRIAL DIRECT CO., INC.

**Condensed Consolidated Statement of Shareholders
Equity
Thirteen Weeks Ended November 26, 2011
(In thousands)
(Unaudited)**