

OSHKOSH TRUCK CORP  
Form 10-Q  
February 08, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-Q**

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

**For the quarterly period ended December 31, 2006**

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: **1-31371**

**Oshkosh Truck Corporation**

*(Exact name of registrant as specified in its charter)*

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

**39-0520270**  
*(I.R.S. Employer  
Identification No.)*

**P.O. Box 2566**  
**Oshkosh, Wisconsin**  
*(Address of principal executive offices)*

**54903-2566**  
*(Zip Code)*

Registrant's telephone number, including area code: **(920) 235-9151**

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. 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 Act). Yes  No

As of February 2, 2007, 73,928,601 shares of the Registrant's Common Stock were outstanding.

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**OSHKOSH TRUCK CORPORATION**  
**FORM 10-Q INDEX**  
**FOR THE QUARTER ENDED DECEMBER 31, 2006**

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**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**OSHKOSH TRUCK CORPORATION**  
**Condensed Consolidated Statements of Income**  
(In millions, except per share amounts; unaudited)

	<b>Three Months Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
	<hr/>	<hr/>
Net sales	\$ 1,006.8	\$ 790.3
Cost of sales	834.1	641.4
	<hr/>	<hr/>
Gross income	172.7	148.9

	<b>Three Months Ended December 31,</b>	
Operating expenses:		
Selling, general and administrative	82.0	60.0
Amortization of purchased intangibles	7.1	1.9
	<hr/>	<hr/>
Total operating expenses	89.1	61.9
	<hr/>	<hr/>
Operating income	83.6	87.0
Other income (expense):		
Interest expense	(20.8)	(1.8)
Interest income	0.7	1.5
Miscellaneous, net	(0.4)	(0.2)
	<hr/>	<hr/>
	(20.5)	(0.5)
	<hr/>	<hr/>
Income before provision for income taxes, equity in earnings of unconsolidated affiliates and minority interest	63.1	86.5
Provision for income taxes	22.7	33.7
	<hr/>	<hr/>
Income before equity in earnings of unconsolidated affiliates and minority interest	40.4	52.8
Equity in earnings of unconsolidated affiliates, net of income taxes	1.0	0.6
Minority interest, net of income taxes	(0.2)	(0.3)
	<hr/>	<hr/>
Net income	\$ 41.2	\$ 53.1
	<hr/>	<hr/>
Earnings per share:		
Basic	\$ 0.56	\$ 0.73
Diluted	\$ 0.55	\$ 0.72

The accompanying notes are an integral part of these financial statements.

**OSHKOSH TRUCK CORPORATION**  
**Condensed Consolidated Balance Sheets**  
(In millions, except share and per share amounts; unaudited)

	<b>December 31, 2006</b>	<b>September 30, 2006</b>
	<hr/>	<hr/>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 39.3	\$ 22.0
Receivables, net	627.2	317.9
Inventories, net	1,060.8	589.8
Deferred income taxes	83.2	53.2
Other current assets	76.2	20.5
	<hr/>	<hr/>

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	December 31, 2006	September 30, 2006
Total current assets	1,886.7	1,003.4
Investment in unconsolidated affiliates	26.6	19.3
Property, plant and equipment, net	399.2	231.9
Goodwill, net	2,416.7	558.7
Purchased intangible assets, net	1,196.1	219.2
Other long-term assets	171.9	78.4
<b>Total assets</b>	<b>\$ 6,097.2</b>	<b>\$ 2,110.9</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities:		
Revolving credit facility and current maturities of long-term debt	\$ 301.1	\$ 87.5
Accounts payable	390.9	236.5
Customer advances	292.8	266.7
Floor plan notes payable	48.8	48.4
Payroll-related obligations	82.6	59.4
Income taxes payable	2.6	12.8
Other current liabilities	276.4	170.7
<b>Total current liabilities</b>	<b>1,395.2</b>	<b>882.0</b>
Long-term debt, less current maturities	3,031.6	2.2
Deferred income taxes	437.2	100.0
Other long-term liabilities	120.7	61.0
Commitments and contingencies		
Minority interest	4.1	3.8
Shareholders equity:		
Preferred stock (\$.01 par value; 2,000,000 shares authorized; none issued and outstanding)	--	--
Common Stock (\$.01 par value; 300,000,000 shares authorized; 73,879,194 and 73,771,802 issued, respectively)	0.7	0.7
Additional paid-in capital	210.0	205.2
Retained earnings	831.6	797.8
Accumulated other comprehensive income	66.1	59.2
Common Stock in treasury, at cost (443 and 20,551 shares, respectively)	--	(1.0)
<b>Total shareholders equity</b>	<b>1,108.4</b>	<b>1,061.9</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 6,097.2</b>	<b>\$ 2,110.9</b>

The accompanying notes are an integral part of these financial statements.

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**OSHKOSH TRUCK CORPORATION**  
**Condensed Consolidated Statement of Shareholders Equity**  
(In millions, except per share amounts; unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock in Treasury at Cost	Total
Balance at September 30, 2006	\$ 0.7	\$ 205.2	\$ 797.8	\$ 59.2	\$ (1.0)	\$ 1,061.9
Net income	--	--	41.2	--	--	41.2
Change in fair value of derivative hedging						

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock in Treasury at Cost	Total
instruments, net of tax of \$2.5	--	--	--	4.2	--	4.2
Currency translation adjustments	--	--	--	2.7	--	2.7
Cash dividends (\$0.10 per share)	--	--	(7.4)	--	--	(7.4)
Exercise of stock options	--	0.5	--	--	1.0	1.5
Tax benefit related to stock options exercised	--	2.1	--	--	--	2.1
Stock-based compensation expense related to employee stock-based awards	--	2.2	--	--	--	2.2
Balance at December 31, 2006	\$ 0.7	\$ 210.0	\$ 831.6	\$ 66.1	\$ --	\$ 1,108.4

The accompanying notes are an integral part of these financial statements.

**OSHKOSH TRUCK CORPORATION**  
**Condensed Consolidated Statements of Cash Flows**  
(In millions; unaudited)

	Three Months Ended December 31,	
	2006	2005
<b>Operating activities:</b>		
Net income	\$ 41.2	\$ 53.1
Non-cash and other adjustments	17.6	8.6
Changes in operating assets and liabilities	(88.1)	(94.4)
Net cash used by operating activities	(29.3)	(32.7)
<b>Investing activities:</b>		
Acquisition of businesses, net of cash acquired	(3,124.8)	--
Additions to property, plant and equipment	(8.2)	(12.9)
Additions to equipment held for rental	(3.5)	--
Proceeds from sale of property, plant and equipment	0.1	--
Proceeds from sale of equipment held for rental	0.1	--
Distribution of capital from unconsolidated affiliates	0.3	--
Decrease in other long-term assets	0.4	--
Net cash used by investing activities	(3,135.6)	(12.9)
<b>Financing activities:</b>		
Issuance of long-term debt	3,100.0	--
Debt issuance costs	(33.5)	--
Repayment of long-term debt	(0.3)	(0.2)

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	<b>Three Months Ended December 31,</b>	
Net borrowings (repayments) under revolving credit facility	119.7	(0.6)
Proceeds from exercise of stock options	1.5	2.5
Excess tax benefits from stock-based compensation	1.9	2.9
Dividends paid	(7.4)	(5.0)
	<hr/>	<hr/>
Net cash provided (used) by financing activities	3,181.9	(0.4)
Effect of exchange rate changes on cash	0.3	(0.5)
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	17.3	(46.5)
Cash and cash equivalents at beginning of period	22.0	127.5
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 39.3	\$ 81.0
	<hr/>	<hr/>
<b>Supplementary disclosures:</b>		
Depreciation and amortization	\$ 18.7	\$ 8.6
Cash paid for interest	3.3	1.2
Cash paid for income taxes	8.5	6.8

The accompanying notes are an integral part of these financial statements.

**OSHKOSH TRUCK CORPORATION**  
**Notes to Condensed Consolidated Financial Statements**  
(In millions, except share and per share amounts; unaudited)

**1. Basis of Presentation**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (which include normal recurring adjustments) necessary to present fairly, the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ( SEC ). These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in Oshkosh Truck Corporation's (the Company ) Annual Report on Form 10-K for the year ended September 30, 2006. The interim results are not necessarily indicative of results for the full year.

**New Accounting Standards** Effective October 1, 2006, the Company adopted Statement of Financial Accounting Standards ( SFAS ) No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3. Under the previous guidance, most voluntary changes in accounting principles were required to be recognized as the cumulative effect of a change in accounting principle within the net income of the period in which the change was made. SFAS No. 154 requires retrospective application to prior period financial statements of a voluntary change in accounting principle, unless it is impracticable to do so. Adoption of SFAS No. 154 did not have an impact on the Company's financial condition, results of operations or cash flows.

In June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. ( FIN ) 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109. FIN 48 provides guidance for the recognition, derecognition and measurement in financial statements of tax positions taken in previously filed tax returns or tax positions expected to be taken in tax returns. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more likely than not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company will be required to adopt FIN 48 as of October 1, 2007, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of FIN 48 on the Company's financial condition, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 clarifies the definition of exchange price as the

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price between market participants in an orderly transaction to sell an asset or transfer a liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The Company will be required to adopt SFAS No. 157 as of October 1, 2008. The Company is currently evaluating the impact of SFAS No. 157 on the Company's financial condition, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106, and 132(R), which requires the employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 also requires the measurement of defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position. The Company will be required to adopt SFAS No. 158 as of September 30, 2007. The Company is currently evaluating the impact of SFAS No. 158 on the Company's financial condition. The adoption of SFAS No. 158 is not expected to have any impact on the Company's results of operations and cash flows.

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### OSHKOSH TRUCK CORPORATION

#### Notes to Condensed Consolidated Financial Statements

(In millions, except share and per share amounts; unaudited)

## 2. Acquisitions

### *Fiscal 2007 Acquisitions*

On December 6, 2006, the Company acquired for cash all of the outstanding shares of JLG Industries, Inc. (JLG), a leading manufacturer of aerial work platforms and telehandlers. The total purchase price of JLG was \$3,134.6, net of cash acquired of \$176.4 and included transaction costs of \$26.7 and retirement of debt of \$224.4. The Company financed the acquisition and the retirement of \$79.6 of debt outstanding under an existing credit facility with proceeds from a new \$3,650.0 senior secured credit facility (see Note 9 of the Notes to Condensed Consolidated Financial Statements). JLG results of operations have been included in the consolidated financial statements since the date of acquisition. JLG forms the Company's new access equipment segment.

The Company's acquisition of JLG enabled the Company to diversify its product offerings and customer segments to complement its defense business and balance the economic and geopolitical cycles faced by the Company, expand the Company's global reach to better compete in its markets and increase scale in procurement and other functions.

The following table summarizes the preliminary fair values of the JLG assets acquired and liabilities assumed at the date of acquisition.

<b>Assets Acquired:</b>	
Current assets, excluding cash of \$176.4	\$ 866.6
Property, plant and equipment	165.3
Goodwill	1,852.9
Purchased intangible assets	982.9
Other long-term assets	67.8
	<hr/>
Total assets acquired	3,935.5
<b>Liabilities Assumed:</b>	
Current liabilities	395.8
Long-term liabilities	405.1