

ITT Corp
Form 10-Q
October 31, 2013
Table of Contents

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 September 30, 2013

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: 1-5672

ITT CORPORATION

State of Indiana

(State or Other Jurisdiction
of Incorporation or Organization)

1133 Westchester Avenue, White Plains, NY 10604

(Principal Executive Office)

Telephone Number: (914) 641-2000

13-5158950

(I.R.S. Employer

Identification Number)

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 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 web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 October 22, 2013, there were outstanding 90.7 million shares of common stock (\$1 par value per share) of the registrant.

Table of Contents

TABLE OF CONTENTS

ITEM	PAGE
PART I – FINANCIAL INFORMATION	
1. <u>Financial Statements</u>	
<u>Consolidated Condensed Income Statements</u>	1
<u>Consolidated Condensed Statements of Comprehensive Income</u>	2
<u>Consolidated Condensed Balance Sheets</u>	3
<u>Consolidated Condensed Statements of Cash Flows</u>	4
<u>Consolidated Condensed Statements of Changes in Shareholders' Equity</u>	5
<u>Notes to Consolidated Condensed Financial Statements:</u>	
<u>Note 1. Description of Business and Basis of Presentation</u>	6
<u>Note 2. Recent Accounting Pronouncements</u>	6
<u>Note 3. Acquisitions</u>	7
<u>Note 4. Discontinued Operations</u>	7
<u>Note 5. Restructuring Actions</u>	8
<u>Note 6. Income Taxes</u>	9
<u>Note 7. Earnings Per Share</u>	10
<u>Note 8. Receivables, Net</u>	10
<u>Note 9. Inventories, Net</u>	11
<u>Note 10. Other Current and Non-Current Assets</u>	11
<u>Note 11. Plant, Property and Equipment, Net</u>	12
<u>Note 12. Goodwill and Other Intangible Assets, Net</u>	12
<u>Note 13. Accrued and Other Current Liabilities and Other Non-Current Liabilities</u>	13
<u>Note 14. Debt</u>	14
<u>Note 15. Postretirement Benefit Plans</u>	14
<u>Note 16. Long-Term Incentive Employee Compensation</u>	15
<u>Note 17. Capital Stock</u>	17
<u>Note 18. Commitments and Contingencies</u>	17
<u>Note 19. Segment Information</u>	23
2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Overview</u>	25
<u>Discussion of Financial Results</u>	27
<u>Liquidity</u>	34
<u>Key Performance Indicators and Non-GAAP Measures</u>	37
<u>Recent Accounting Pronouncements</u>	39
<u>Critical Accounting Estimates</u>	39
3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	39
4. <u>Controls and Procedures</u>	39
PART II – OTHER INFORMATION	
1. <u>Legal Proceedings</u>	40
1A. <u>Risk Factors</u>	40
2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
3. <u>Defaults Upon Senior Securities</u>	40
4. <u>Mine Safety Disclosures</u>	40
5. <u>Other Information</u>	40
6. <u>Exhibits</u>	40
<u>Signature</u>	41
<u>Exhibit Index</u>	42

Table of Contents

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Some of the information included herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995 (the Act). These forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about the business and future financial results of the industry in which we operate, and other legal, regulatory and economic developments. These forward-looking statements include, but are not limited to, future strategic plans and other statements that describe the company's business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance.

We use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "future," "may," "will," "could," "should," "potential," "continue," "guidance" and other similar expressions to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Where, in any forward-looking statement we express an expectation or belief as to future results or events, such expectation or belief is based on current plans and expectations of our management, expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will result or will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included in our reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2012, particularly under the caption "Risk Factors," our Quarterly Reports on Form 10-Q (including Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q) and other documents filed from time to time with the SEC.

The forward-looking statements included in this report speak only as of the date of this report. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (SEC). You can inspect, read and copy these reports, proxy statements and other information at the SEC's Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge at <http://www.itt.com> (in the "Investors" section) copies of materials we file with, or furnish to, the SEC. ITT uses the Investor Relations page of its Internet site at <http://www.itt.com> (in the "Investors" section) to disclose important information to the public.

Information contained on ITT's Internet site, or that can be accessed through its Internet site, does not constitute a part of this Quarterly Report on Form 10-Q. ITT has included its Internet site address only as an inactive textual reference and does not intend it to be an active link to its Internet site. Our corporate headquarters are located at 1133 Westchester Avenue, White Plains, NY 10604 and the telephone number of this location is (914) 641-2000.

Table of Contents

ITT CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED INCOME STATEMENTS (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

For the Periods Ended September 30	Three Months		Nine Months	
	2013	2012	2013	2012
Revenue	\$634.0	\$547.5	\$1,851.4	\$1,673.5
Costs of revenue	431.1	381.3	1,260.2	1,166.7
Gross profit	202.9	166.2	591.2	506.8
Sales and marketing expenses	52.7	41.6	162.0	134.5
General and administrative expenses	72.5	60.0	208.2	159.0
Research and development expenses	16.1	15.1	48.9	47.8
Asbestos-related (benefit) costs, net	(15.4	) 12.8	16.5	35.1
Operating income	77.0	36.7	155.6	130.4
Interest and non-operating (income) expenses, net	(2.3	) (5.0	) 2.6	—
Income from continuing operations before income tax (benefit) expense	79.3	41.7	153.0	130.4
Income tax (benefit) expense	(354.4	) (19.0	) (325.0	) 43.0
Income from continuing operations	433.7	60.7	478.0	87.4
(Loss) income from discontinued operations, including tax benefit of \$1.0, \$1.7, \$0.8 and \$1.7, respectively	(2.3	) 12.3	0.5	5.6
Net income	431.4	73.0	478.5	93.0
Less: Income attributable to noncontrolling interests	0.7	—	1.2	—
Net income attributable to ITT Corporation	\$430.7	\$73.0	\$477.3	\$93.0
Amounts attributable to ITT Corporation:				
Income from continuing operations, net of tax	\$433.0	\$60.7	\$476.8	\$87.4
(Loss) income from discontinued operations, net of tax	(2.3	) 12.3	0.5	5.6
Net income	\$430.7	\$73.0	\$477.3	\$93.0
Earnings (loss) per share attributable to ITT Corporation:				