

Mueller Water Products, Inc.  
Form 10-Q  
August 09, 2006

# 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 June 30, 2006.

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

Commission File Number 333-131536

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## MUELLER WATER PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

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

**20-3547095**  
(I.R.S. Employer  
identification No.)

**4211 W. Boy Scout Blvd.**  
**Tampa, FL 33607**

(Address of principal executive offices)

**(813) 871-4811**

(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 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

There were 114,594,920 shares of common stock of the registrant outstanding at July 31, 2006.



**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MUELLER WATER PRODUCTS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

	<b>June 30, 2006</b>	<b>September 30, 2005</b>
	<b>(dollars in millions)</b>	
<b>Assets</b>		
Cash and cash equivalents	\$ 239.7	\$
Receivables, net of allowance for doubtful accounts of \$5.5 million and \$0.9 million at June 30, 2006 and September 30, 2005, respectively	309.2	118.5
Inventories	466.2	147.2
Deferred income taxes	58.1	11.1
Prepaid expenses	30.8	1.5
Total current assets	1,104.0	278.3
Property, plant and equipment, net	338.2	149.2
Deferred financing fees	25.4	
Deferred income taxes		9.5
Due from parent, Walter Industries	10.8	
Identifiable intangibles, net	842.6	
Goodwill	860.7	58.4
Other long-term assets	9.5	
Total assets	\$ 3,191.2	\$ 495.4
<b>Liabilities and Shareholders Equity (Deficit)</b>		
Current portion of long-term debt	\$ 171.7	\$
Accounts payable	117.1	52.5
Accrued expenses and other liabilities	106.0	34.7
Payable to affiliate, Sloss Industries	2.0	2.5
Total current liabilities	396.8	89.7
Long-term debt	1,132.3	
Payable to parent, Walter Industries		443.6
Accrued pension liability, net	104.3	53.6
Accumulated postretirement benefits obligation	47.0	51.1
Deferred income taxes	295.2	
Other long-term liabilities	25.4	12.6
Total liabilities	2,001.0	650.6
Commitments and contingencies (Note 16)		
<b>Shareholders equity (deficit):</b>		
Common stock, \$.01 par value per share:		
Class A 400,000,000 shares authorized and 28,750,000 shares issued	0.3	
Class B 200,000,000 shares authorized and 85,844,920 shares issued	0.8	
Capital in excess of par value	1,417.0	68.3
Accumulated deficit	(189.9 )	(178.1 )
Accumulated other comprehensive loss	(38.0 )	(45.4 )
Total shareholders equity (deficit)	1,190.2	(155.2 )
Total liabilities and shareholders equity (deficit)	\$ 3,191.2	\$ 495.4

The accompanying notes are an integral part of the condensed consolidated financial statements.

**MUELLER WATER PRODUCTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

**Three months ended June 30,**  
**2006**                      **2005**  
**(dollars in millions, except per**  
**share amounts)**

Net sales	\$ 500.0	\$ 162.0
Cost of sales	365.5	139.2
Gross profit	134.5	22.8
Operating expenses:		
Selling, general and administrative	62.6	10.7
Related party corporate charges	2.3	1.8
Facility rationalization, restructuring and related costs	0.2	
Total operating expenses	65.1	12.5
Income from operations	69.4	10.3
Interest expense arising from related party payable to Walter Industries		(4.9 )
Interest expense, net of interest income	(31.9 )	
Income before income taxes	37.5	5.4
Income tax expense (benefit)	(1.3 )	1.8
Net income	\$ 38.8	\$ 3.6
Basic and diluted income per share	\$ 0.41	\$ 0.04

**Nine months ended June 30,**  
**2006**                      **2005**  
**(dollars in millions, except per**  
**share amounts)**

Net sales	\$ 1,415.3	\$ 427.8
Cost of sales	1,142.7	381.7
Gross profit	272.6	46.1
Operating expenses:		
Selling, general and administrative	180.5	29.0
Related party corporate charges	6.1	5.5
Facility rationalization, restructuring and related costs	28.6	
Total operating expenses	215.2	34.5
Income from operations	57.4	11.6
Interest expense arising from related party payable to Walter Industries		(15.9 )
Interest expense, net of interest income	(94.2 )	(0.3 )
Loss before income taxes	(36.8 )	(4.6 )
Income tax expense (benefit)	(25.0 )	2.5
Net loss	\$ (11.8 )	\$ (7.1 )
Basic and diluted loss per share	\$ (0.13 )	\$ (0.08 )

The accompanying notes are an integral part of the condensed consolidated financial statements.

## MUELLER WATER PRODUCTS, INC.

## CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE LOSS

FOR THE NINE MONTHS ENDED JUNE 30, 2006

(UNAUDITED)

(dollars in millions)

	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Comprehensive Income (Loss)	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2005		\$ 68.3	\$ (178.1 )		\$ (45.4 )	\$ (155.2 )
Walter's investment in subsidiary		932.9				932.9
Dividend to Walter		(444.5 )				(444.5 )
Dividend to Walter for acquisition costs		(12.0 )				(12.0 )
Forgiveness of U.S. Pipe payable to Walter		443.6				443.6
Sale of common stock in initial public offering	\$ 1.1	428.2				429.3
Share-based compensation		0.5				0.5
Comprehensive income (loss)						
Net loss			(11.8 )	(11.8 )		(11.8 )
Other comprehensive income (loss), net of tax						
Unrealized gain on interest rate swaps				5.3	5.3	5.3
Foreign currency translation adjustments				2.1	2.1	2.1
Comprehensive loss						