

STEELCASE INC  
Form 10-Q  
December 20, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended November 22, 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 1-13873

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STEELCASE INC.

(Exact name of registrant as specified in its charter)

Michigan 38-0819050

(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification no.)

901 44th Street SE 49508  
Grand Rapids, Michigan (Zip Code)  
(Address of principal executive offices)

(Registrant’s telephone number, including area code) (616) 247-2710

None

(Former name, former address and former fiscal year, if changed since last report)

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 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 13, 2013, Steelcase Inc. had 90,975,167 shares of Class A Common Stock and 33,064,018 shares of Class B Common Stock outstanding.



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FOR THE QUARTERLY PERIOD ENDED NOVEMBER 22, 2013

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements:

## STEELCASE INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in millions, except per share data)

	Three Months Ended		Nine Months Ended	
	November 22, 2013	November 23, 2012	November 22, 2013	November 23, 2012
Revenue	\$784.8	\$727.2	\$2,209.5	\$2,147.3
Cost of sales	541.1	498.0	1,511.7	1,485.5
Restructuring costs	0.9	3.3	1.0	11.8
Gross profit	242.8	225.9	696.8	650.0
Operating expenses	189.8	184.8	563.8	542.5
Goodwill and intangible asset impairment charges	12.9	—	12.9	—
Restructuring costs	0.8	2.7	8.4	3.0
Operating income	39.3	38.4	111.7	104.5
Interest expense	(4.4	) (4.2	) (13.3	) (13.3
Investment income (loss)	0.6	1.1	(0.6	) 3.5
Other income, net	3.0	1.8	4.8	7.3
Income before income tax expense	38.5	37.1	102.6	102.0
Income tax expense	15.5	13.5	38.8	35.7
Net income	\$23.0	\$23.6	\$63.8	\$66.3
Earnings per share:				
Basic	\$0.18	\$0.19	\$0.51	\$0.52
Diluted	\$0.18	\$0.18	\$0.50	\$0.52
Dividends declared and paid per common share	\$0.10	\$0.09	\$0.30	\$0.27

See accompanying notes to the condensed consolidated financial statements.

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STEELCASE INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(in millions)

	Three Months Ended		Nine Months Ended	
	November 22,	November 23,	November 22,	November 23,
	2013	2012	2013	2012
Net income	\$23.0	\$23.6	\$63.8	\$66.3
Other comprehensive income (loss), net:				
Unrealized gain on investments	—	0.3	0.2	1.0
Minimum pension liability	(1.4	) (1.2	) (3.8	) (4.2
Foreign currency translation adjustments	2.9	7.9	2.1	(4.5
Total other comprehensive income (loss), net	1.5	7.0	(1.5	) (7.7
Comprehensive income	\$24.5	\$30.6	62.3	58.6

See accompanying notes to the condensed consolidated financial statements.

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STEELCASE INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in millions)

	(Unaudited)	
	November 22, 2013	February 22, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 149.1	\$ 150.4
Short-term investments	147.9	100.5
Accounts receivable, net of allowances of \$12.4 and \$14.5	359.9	287.3
Inventories	161.1	137.5
Deferred income taxes	63.5	56.2
Other current assets	63.5	46.7
Total current assets	945.0	778.6
Property, plant and equipment, net of accumulated depreciation of \$1,185.2 and \$1,221.4	356.1	353.2
Company-owned life insurance	152.1	225.8
Deferred income taxes	98.8	101.7
Goodwill	108.7	121.4
Other intangible assets, net	17.0	19.2
Other assets	98.1	89.7
Total assets	\$ 1,775.8	\$ 1,689.6
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 235.5	\$ 198.6
Short-term borrowings and current maturities of long-term debt	2.5	2.6
Accrued expenses:		
Employee compensation	142.4	129.4
Employee benefit plan obligations	21.7	23.8
Other	178.4	130.4
Total current liabilities	580.5	484.8
Long-term liabilities:		
Long-term debt less current maturities	284.6	286.4
Employee benefit plan obligations	159.6	158.0
Other long-term liabilities	77.3	92.4
Total long-term liabilities	521.5	536.8
Total liabilities	1,102.0	1,021.6
Shareholders' equity:		
Common stock	—	—
Additional paid-in capital	8.3	27.2
Accumulated other comprehensive loss	(5.7	) (4.2
Retained earnings	671.2	645.0
Total shareholders' equity	673.8	668.0
Total liabilities and shareholders' equity	\$ 1,775.8	\$ 1,689.6

See accompanying notes to the condensed consolidated financial statements.



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STEELCASE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
 (in millions)

	Nine Months Ended	
	November 22, 2013	November 23, 2012
<b>OPERATING ACTIVITIES</b>		
Net income	\$63.8	\$66.3
Depreciation and amortization	43.8	42.5
Changes in cash surrender value of company-owned life insurance (COLI)	(0.8)	(3.7)
Changes in deferred income taxes	(2.7)	15.3
Goodwill and intangible asset impairment charges	12.9	—
Restructuring costs	9.4	14.8
Non-cash stock compensation	14.7	7.8
Changes in operating assets and liabilities, net of acquisitions and divestiture:		
Accounts receivable, inventories and accounts payable	(57.4)	(29.7)
Employee compensation liabilities	(3.7)	5.4
Other assets and liabilities	21.2	11.5
Other	(4.2)	(0.4)
Net cash provided by operating activities	97.0	129.8
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(51.9)	(49.9)
Proceeds from disposal of fixed assets	2.1	14.1
Purchases of short-term investments	(128.0)	(45.3)
Liquidations of short-term investments	80.4	47.5
Liquidations of COLI investments	74.5	—
Other	(2.0)	(16.1)
Net cash used in investing activities	(24.9)	(49.7)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(37.6)	(34.4)
Common stock repurchases	(32.8)	(19.9)
Other	(2.7)	(1.3)
Net cash used in financing activities	(73.1)	(55.6)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(0.6)
Net increase (decrease) in cash and cash equivalents	(1.3)	23.9
Cash and cash equivalents, beginning of period	150.4	112.1
Cash and cash equivalents, end of period	\$149.1	\$136.0

See accompanying notes to the condensed consolidated financial statements.



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STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions in Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements have been included. Results for interim periods should not be considered indicative of results to be expected for a full year. Reference should be made to the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended February 22, 2013 ("Form 10-K"). The Condensed Consolidated Balance Sheet as of February 22, 2013 was derived from the audited Consolidated Balance Sheet included in our Form 10-K.

As used in this Quarterly Report on Form 10-Q ("Report"), unless otherwise expressly stated or the context otherwise requires, all references to "Steelcase," "we," "our," "Company" and similar references are to Steelcase Inc. and its subsidiaries in which a controlling interest is maintained. Unless the context otherwise indicates, reference to a year relates to the fiscal year, ended in February of the year indicated, rather than a calendar year. Additionally, Q1, Q2, Q3 and Q4 reference the first, second, third and fourth quarter, respectively, of the fiscal year indicated. All amounts are in millions, except share and per share data, data presented as a percentage or as otherwise indicated.

2. NEW ACCOUNTING STANDARDS

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The guidance requires an entity to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. This presentation may be either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. For other significant amounts not required to be reclassified in their entirety to net income in the same reporting period, a cross reference to other disclosures that provide additional detail about the reclassification amounts is required. The Company adopted these provisions in Q1 2014, applied prospectively. This update impacts disclosures only, and therefore adoption did not have an impact on our consolidated financial position, results of operations or cash flows. The disclosures required by this update are included in Note 4.

In July 2012, the FASB amended Accounting Standards Codification ("ASC") 350, Intangibles — Goodwill and Other. This amendment is intended to reduce the cost and complexity of the annual impairment test for indefinite-lived intangible assets other than goodwill by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The Company adopted the amended provisions in Q1 2014. This amendment impacts impairment testing steps only, and therefore adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

3. EARNINGS PER SHARE

Earnings per share is computed using the two-class method. The two-class method determines earnings per share for each class of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. Participating securities include performance units and restricted stock units in which the participants have non-forfeitable rights to dividend equivalents during the performance period. Diluted earnings per share includes the effects of certain performance units in which the participants have forfeitable rights to dividend equivalents during the performance period.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Computation of Earnings per Share	Three Months Ended		Nine Months Ended	
	November 22, 2013	November 23, 2012	November 22, 2013	November 23, 2012
Net income	\$23.0	\$23.6	\$63.8	\$66.3
Adjustment for earnings attributable to participating securities	(0.4 )	(0.3 )	(1.0 )	(0.9 )
Net income used in calculating earnings per share	\$22.6	\$23.3	\$62.8	\$65.4
Weighted-average common shares outstanding including participating securities (in millions)	125.9	126.9	126.1	127.6
Adjustment for participating securities (in millions)	(2.0 )	(1.8 )	(1.9 )	(1.9 )
Shares used in calculating basic earnings per share (in millions)	123.9	125.1	124.2	125.7
Effect of dilutive stock-based compensation (in millions)	1.8	1.2	1.7	1.1
Shares used in calculating diluted earnings per share (in millions)	125.7	126.3	125.9	126.8
Earnings per share:				