

CUMMINS INC
Form 8-K
October 29, 2013

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

FORM 8-K

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

Date of Report: October 29, 2013

CUMMINS INC.
(Exact name of registrant as specified in its charter)
Indiana 1-4949 35-0257090
(State or other Jurisdiction of (Commission File Number) (I.R.S. Employer
Incorporation) Identification No.)

500 Jackson Street
P. O. Box 3005
Columbus, IN 47202-3005
(Principal Executive Office) (Zip Code)

Registrant's telephone number, including area code: (812) 377-5000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On October 29, 2013, Cummins Inc. (“Cummins,” “the Company,” “the registrant,” “we,” “our,” or “us”) issued the attached press release reporting its financial results for the third quarter of 2013. A copy of Cummins' press release is attached hereto as Exhibit 99 and hereby incorporated by reference.

Item 9.01. Financial Statements and Exhibits.

(d) The following exhibit is furnished pursuant to Item 2.02 herewith:
99-Press Release dated October 29, 2013

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 29, 2013

CUMMINS INC.
/s/ Marsha L. Hunt
Marsha L. Hunt
Vice President - Corporate Controller
(Principal Accounting Officer)

CUMMINS INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited) (a)

In millions, except per share amounts	Three months ended		September 30, 2012
	September 29, 2013	June 30, 2013	
NET SALES	\$4,266	\$4,525	4,118
Cost of sales	3,157	3,372	3,076
GROSS MARGIN	1,109	1,153	1,042
OPERATING EXPENSES AND INCOME			
Selling, general and administrative expenses	492	484	456
Research, development and engineering expenses	173	177	186
Equity, royalty and interest income from investees (Note 1)	91	108	94
Other operating income (expense), net	(11	) 10	(1)
OPERATING INCOME	524	610	493
Interest income	6	10	5
Interest expense	8	8	9
Other income (expense), net	6	1	(2)
INCOME BEFORE INCOME TAXES	528	613	487
Income tax expense (Note 2)	154	172	117
CONSOLIDATED NET INCOME	374	441	370
Less: Net income attributable to noncontrolling interests	19	27	18
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$355	\$414	\$352
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$1.91	\$2.20	\$1.87
Diluted	\$1.90	\$2.20	\$1.86
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	186.0	187.8	188.6
Diluted	186.5	188.2	189.0
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$0.625	\$0.50	\$0.50

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited) (a)

In millions, except per share amounts	Nine months ended	
	September 29, 2013	September 30, 2012
NET SALES	\$12,713	\$13,042
Cost of sales	9,494	9,592
GROSS MARGIN	3,219	3,450
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,420	1,418
Research, development and engineering expenses	532	554
Equity, royalty and interest income from investees (Note 1)	281	302
Gain on sale of businesses	—	6
Other operating income (expense), net	—	3
OPERATING INCOME	1,548	1,789
Interest income	21	20
Interest expense	22	25
Other income (expense), net	25	14
INCOME BEFORE INCOME TAXES	1,572	1,798
Income tax expense (Note 2)	445	458
CONSOLIDATED NET INCOME	1,127	1,340
Less: Net income attributable to noncontrolling interests	76	64
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$1,051	\$1,276
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$5.61	\$6.73
Diluted	\$5.60	\$6.72
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	187.4	189.6
Diluted	187.8	190.0
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$1.625	\$1.30

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (a)

In millions, except par value	September 29, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$2,499	\$1,369
Marketable securities	162	247
Total cash, cash equivalents and marketable securities	2,661	1,616
Accounts and notes receivable, net	2,709	2,475
Inventories	2,513	2,221
Prepaid expenses and other current assets	643	855
Total current assets	8,526	7,167
Long-term assets		
Property, plant and equipment	6,182	5,876
Accumulated depreciation	(3,234	) (3,152
Property, plant and equipment, net	2,948	2,724
Investments and advances related to equity method investees	966	897
Goodwill	457	445
Other intangible assets, net	362	369
Other assets	1,077	946
Total assets	\$14,336	\$12,548
LIABILITIES		
Current liabilities		
Loans payable	\$15	\$16
Accounts payable (principally trade)	1,613	1,339
Current maturities of long-term debt	47	61
Current portion of accrued product warranty	374	386
Accrued compensation, benefits and retirement costs	413	400
Deferred revenue	269	215
Taxes payable (including taxes on income)	112	173
Other accrued expenses	547	546
Total current liabilities	3,390	3,136
Long-term liabilities		
Long-term debt (Note 3)	1,731	698
Postretirement benefits other than pensions	407	432
Other liabilities and deferred revenue	1,344	1,308
Total liabilities	6,872	5,574
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.4 shares issued	2,095	2,058
Retained earnings	8,089	7,343
Treasury stock, at cost, 34.9 and 32.6 shares	(2,104	) (1,830
Common stock held by employee benefits trust, at cost, 1.3 and 1.5 shares	(16	) (18
Accumulated other comprehensive loss		
Defined benefit postretirement plans	(738) (794

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Other	(230) (156)
Total accumulated other comprehensive loss	(968) (950)
Total Cummins Inc. shareholders' equity	7,096	6,603	
Noncontrolling interests	368	371	
Total equity	7,464	6,974	
Total liabilities and equity	\$14,336	\$12,548	

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited) (a)

In millions	Nine months ended	
	September 29, 2013	September 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$1,127	\$1,340
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	305	262
Restructuring payments, net	(25) —
Gain on sale of businesses	—	(6
Gain on fair value adjustment for consolidated investees	(12	) (7
Deferred income taxes	78	91
Equity in income of investees, net of dividends	(98	) (51
Pension contributions in excess of expense	(96	) (74
Other post-retirement benefits payments in excess of expense	(20	) (16
Stock-based compensation expense	29	29
Excess tax benefits on stock-based awards	(13	) (12
Translation and hedging activities	26	16
Changes in current assets and liabilities, net of acquisitions:		
Accounts and notes receivable	(216	) 66
Inventories	(206	) (367
Other current assets	182	(54
Accounts payable	252	(145
Accrued expenses	(146	) (398
Changes in other liabilities and deferred revenue	147	154
Other, net	19	(41
Net cash provided by operating activities	1,333	787
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(417	) (424
Investments in internal use software	(43	) (62
Investments in and advances to equity investees	(12	) (92
Acquisition of businesses, net of cash acquired	(145	) (215
Proceeds from sale of business, net of cash sold	—	10
Investments in marketable securities—acquisitions	(360	) (433
Investments in marketable securities—liquidations	433	475
Cash flows from derivatives not designated as hedges	(15	) 13
Other, net	14	9
Net cash used in investing activities	(545	) (719
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings (Note 3)	987	64
Payments on borrowings and capital lease obligations	(62	) (120
Net borrowings under short-term credit agreements	34	5
Distributions to noncontrolling interests	(53	) (50
Dividend payments on common stock	(305	) (246
Repurchases of common stock	(289) (231
Excess tax benefits on stock-based awards	13	12
Other, net	19	16

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Net cash provided by (used in) financing activities	344	(550)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2) 31	
Net increase (decrease) in cash and cash equivalents	1,130	(451)
Cash and cash equivalents at beginning of year	1,369	1,484	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$2,499	\$1,033	

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)

In millions	Engine	Components	Power Generation	Distribution	Non-segment Items ⁽¹⁾	Total
Three months ended September 29, 2013						
External sales	\$2,045	\$ 784	\$499	\$ 938	\$ —	\$4,266
Intersegment sales	447	288	213	6	(954)	—
Total sales	2,492	1,072	712	944	(954)	4,266
Depreciation and amortization ⁽²⁾	53	24	13	15	—	105
Research, development and engineering expenses	103	51	18	1	—	173
Equity, royalty and interest income from investees	31	5	13	42	—	91
Interest income	4	1	1	—	—	6
Segment EBIT	272	132	45	86	1	536
Segment EBIT as a percentage of total sales	10.9 %	12.3 %	6.3 %	9.1 %	%	12.6 %
Three months ended June 30, 2013						
External sales	\$2,209	\$ 786	\$583	\$947	\$ —	\$4,525
Intersegment sales	447	331	231	7	(1,016)	—
Total sales	2,656	1,117	814	954	(1,016)	4,525
Depreciation and amortization ⁽²⁾	51	23	12	15	—	101
Research, development and engineering expenses	102	57	17	1	—	177
Equity, royalty and interest income from investees	52	9	10	37	—	108
Interest income	7	—	2	1	—	10
Segment EBIT ⁽³⁾	339	136	76	100	(30)	621
Segment EBIT as a percentage of total sales	12.8 %	12.2 %	9.3 %	10.5 %	%	13.7 %
Three months ended September 30, 2012						
External sales	\$2,131	\$ 663	\$526	\$798	\$ —	\$4,118
Intersegment sales	396	275	288	3	(962)	—
Total sales	2,527	938	814	801	(962)	4,118
Depreciation and amortization ⁽²⁾	48	21	12	8	—	89
Research, development and engineering expenses	115	51	19	1	—	186
Equity, royalty and interest income from investees	25	7	12	50	—	94
Interest income	2	1	2	—	—	5
Segment EBIT ⁽³⁾	239	89	73	99	(4)	496
Segment EBIT as a percentage of total sales	9.5 %	9.5 %	9.0 %	12.4 %	%	12.0 %

- Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no
- (1) significant unallocated corporate expenses for the three months ended September 29, 2013, June 30, 2013, and September 30, 2012.
 - (2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount that is included in the Condensed Consolidated Statements of Income as "Interest expense."
Distribution segment EBIT for the three months ended June 30, 2013, included a \$5 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Rocky Mountain LLC. Distribution
 - (3) segment EBIT for the three months ended September 30, 2012, included a \$7 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Central Power.
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CUMMINS INC. AND SUBSIDIARIES
 SEGMENT INFORMATION
 (Unaudited)

In millions	Engine	Components	Power Generation	Distribution	Non-segment Items ⁽¹⁾	Total
Nine months ended September 29, 2013						
External sales	\$6,139	\$ 2,292	\$1,621	\$ 2,661	\$ —	\$12,713
Intersegment sales	1,312	915	651	15	(2,893)	—
Total sales	7,451	3,207	2,272	2,676	(2,893)	12,713
Depreciation and amortization ⁽²⁾	156	71	37	40	—	304
Research, development and engineering expenses	310	165	53	4	—	532
Equity, royalty and interest income from investees	106	21	30	124	—	281
Interest income	13	2	5	1	—	21
Segment EBIT ⁽³⁾	806	387	172	281	(52)	1,594
Segment EBIT as a percentage of total sales	10.8	% 12.1	% 7.6	% 10.5		