KENNAMETAL INC
Form 4
August 05, 2014

FORM 4

OMB APPROVAL

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
STRANGHOENER LAWRENCE W

(Last) (First) (Middle)

THE MOSAIC COMPANY, 3300 CAMPUS DRIVE, SUITE E490

(Street)

PLYMOUTH, MN 55441

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
KENNAMETAL INC [kmt]

3. Date of Earliest Transaction (Month/Day/Year)
08/01/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. P Der Sec

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					(Ins
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Credits	(1)	08/01/2014	A		950		(2)	(2)	Common Stock	950
Stock Options (right to buy)	$ 42.13	08/01/2014	A		7,000		(3)	07/31/2024	Common Stock	7,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STRANGHOENER LAWRENCE W THE MOSAIC COMPANY 3300 CAMPUS DRIVE, SUITE E490 PLYMOUTH, MN 55441	X			

Signatures

By: Kevin G. Nowe For: Lawrence W. Stranghoener	08/05/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 1 - for - 1.

(2) Stock Credits become payable in Common Stock; (i) in the event of a change in control of the company; or (ii) on the date that the reporting person ceases (other than by reason of death) to be a director ("retirement"), unless reporting person has elected to receive the common stock represented by the stock credits following retirement.

(3) Options are exercisable in four equal annual installments, commencing on the first anniversary of the grant date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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- Technological risks;
- Network security risks;
- Risks associated with indebtedness; and
- The seasonal nature of the Company's business.

There may be other factors that may cause the Company's actual results to differ materially from the forward-looking statements. Except as may be required by law, the Company undertakes no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

ABOUT THE COMPANY

The Company is one of North America's leading resources for nationally branded kitchenware, tabletop and home décor products. The Company's three major product categories are Food Preparation, Tabletop and Home Décor. The Company markets several product lines within each of these product categories and under each of the Company's brands, primarily targeting moderate to premium price points, through every major level of trade. The Company's competitive advantage is based on strong brands, an emphasis on innovation and new product development and excellent sourcing capabilities. The Company owns or licenses many of the leading brands in its industries including Farberware®, KitchenAid® and Cuisinart®. Over the last several years, the Company's sales growth has come from expanding product offerings within the Company's current categories by developing existing brands, and acquiring new brands and product categories. Key factors in the Company's growth strategy have been, and will continue to be, the selective use and management of the Company's strong brands, and the Company's ability to provide a steady stream of new products and designs. A significant element of this strategy is the Company's in-house design and development team that creates new products, packaging and merchandising concepts.

BUSINESS SEGMENTS

The Company operates in two reportable business segments — wholesale and direct-to-consumer. The wholesale segment is the Company's primary business that designs, markets and distributes household products to retailers and distributors. The direct-to-consumer segment is comprised of the Company's business that sells household products directly to the consumer through 50 Company-operated factory and outlet stores operated utilizing the Pfaltzgraff® and Farberware® names, and its catalog and Internet operations.

In December 2007, the Company commenced a plan to close 27 underperforming Farberware® outlet stores and 3 underperforming Pfaltzgraff® factory stores. At March 31, 2008, these 30 stores had been closed. During the three months ended March 31, 2008, the Company has recognized $2.9 million in pre-tax charges related to these store closings, consisting primarily of store lease obligations.

INVESTMENT IN EKCO

The Company owns approximately 30% of the capital stock of Ekco S.A.B. ("Ekco"), a manufacturer and distributor of aluminum disks, cookware and related items. Shares of Ekco's capital stock are traded on the Bolsa Mexicana de Valores, S.A. de C.V., the Mexico Stock Exchange, under the symbol BMV: EKCO. On April 29, 2008, Ekco's shareholders approved changing Ekco's name to Grupo Vasconia, S.A.B. The Company has accounted for its investment in Ekco using the equity method of accounting. Accordingly, the Company has recorded its proportionate share of Ekco's net income for the three months ended March 31, 2008, net of taxes, as equity in earnings of Ekco.

SEASONALITY

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2007, 2006 and 2005, net sales for the third and fourth quarters accounted for 61%, 65% and 71% of total annual net sales, respectively. Operating profits earned in the third and fourth quarters of 2007, 2006 and 2005 accounted for 111%, 99% and 83% of total annual operating profits, respectively. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the Company's critical accounting policies and estimates from the information provided in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates* included in the Company's Annual Report on Form 10-K dated December 31, 2007.

RESULTS OF OPERATIONS

The following table sets forth income statement data of the Company as a percentage of net sales for the periods indicated:

	Three months ended March 31,	
	2008	**2007**
Net sales	100.0 %	100.0 %
Cost of sales	60.7	58.9
Distribution expenses	13.7	12.8
Selling, general and administrative expenses	31.6	28.8
Restructuring expenses	2.9	
Loss from operations	(8.9)	(0.5)
Interest expense	(2.2)	(1.5)
Loss before income taxes and equity in earnings of Ekco	(11.1)	(2.0)
Income tax benefit	4.7	0.8
Equity in earnings of Ekco	0.3	
Net loss	(6.1)%	(1.2)%

Management's Discussion and Analysis

QUARTER ENDED MARCH 31, 2008 AS COMPARED TO THE QUARTER ENDED

MARCH 31, 2007

Net Sales

Net sales for the three months ended March 31, 2008 were $98.2 million, a decrease of 5.4% compared to net sales of $103.8 million for the 2007 period.

Net sales for the wholesale segment for the three months ended March 31, 2008 were $80.4 million, a decrease of $8.8 million or 9.9% compared to net sales of $89.2 million for the 2007 period. This decrease primarily occurred in the Tabletop and Home Décor product categories. Management attributes such decline to the extremely challenging retail sales environment during the three months ended March 31, 2008, as evidenced by significant decreases in same-store sales at a majority of the Company's customers.

Net sales for the direct-to-consumer segment for the three months ended March 31, 2008 were $17.8 million compared to $14.6 million for the 2007 period. The increase was primarily due to the going-out-of-business sales at the 30 stores the Company closed during the three months ended March 31, 2008 as part of its previously announced plan, and to a lesser extent an increase in catalog and Internet sales due to the successful spring catalog and the late holiday orders in 2007 that were shipped in January 2008. Comparable store sales also showed an improvement.

Cost of sales

Cost of sales for the three months ended March 31, 2008 were $59.6 million compared to $61.1 million for the 2007 period. Cost of sales as a percentage of net sales was 60.7% for the three months ended March 31, 2008 compared to 58.9% for the 2007 period.

Cost of sales as a percentage of net sales for the wholesale segment was 63.2% for the three months ended March 31, 2008 compared to 62.2% for the 2007 period. The increase in cost of sales as a percentage of net sales was primarily attributable to the Company's continued effort to reduce inventory levels and higher sales allowances.

Cost of sales as a percentage of net sales for the direct-to-consumer segment increased to 49.3% for the three months ended March 31, 2008 from 38.7% for the 2007 period. The increase was primarily due to lower margins as a result of the going-out-of-business sales at the 30 stores the Company closed during the three months ended March 31, 2008 as part of its previously announced restructuring plan, and to a lesser extent,

promotional activity in the Company's continuing stores.

Distribution expenses

Distribution expenses for the three months ended March 31, 2008 were $13.4 million compared to $13.3 million for the 2007 period. Distribution expenses as a percentage of net sales were 13.7% for the three months ended March 31, 2008 and 12.8% for the 2007 period.

Distribution expenses as a percentage of net sales for the wholesale segment were 12.7% for the three months ended March 31, 2008 compared to 11.1% for the 2007 period. The increase is due primarily to the integration expenses of consolidating the Company's West Coast distribution facilities into the Company's new main West Coast distribution center located in Fontana, California.

Distribution expenses for the direct-to-consumer segment were approximately $3.1 million for the three months ended March 31, 2008 compared to $3.4 million for the 2007 period. The decrease was due primarily to reduced third party warehouse costs as a result of planned decreases in inventory levels and improved labor efficiency.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2008 were $31.1 million, an increase of 4.0% over $29.9 million for the 2007 period.

Selling, general and administrative expenses for the three months ended March 31, 2008 for the wholesale segment were $19.0 million, an increase of $800,000 or 4.4% over the $18.2 million for the 2007 period. As a percentage of net sales, selling, general and administrative expenses were 23.6% for the three months ended March 31, 2008 compared to 20.5% for the 2007 period. The increase is primarily due to an increase in amortization expense related to the Company's new SAP business enterprise system and leasehold improvements at the Company's new corporate headquarters, partially offset by the elimination of duplicative expenses of the Company's former headquarters.

Selling, general and administrative expenses for the three months ended March 31, 2008 for the direct-to-consumer segment were $9.5 million compared to $9.7 million for the 2007 period due primarily to expense reduction efforts.

Unallocated corporate expenses for the three months ended March 31, 2008 and 2007 were $2.6 million and $2.0 million, respectively. The increase was primarily due to higher professional fees and stock option expense.

Restructuring expenses

In December 2007, the Company commenced a plan to close 30 underperforming outlet stores. At March 31, 2008 all 30 stores have been closed. During the three months ended March 31, 2008 the Company recorded restructuring expenses of $2.9 million consisting primarily of store lease obligations and to a lesser extent, consulting fees, retention bonus and severance, and other incremental costs related to the closures.

Interest expense

Interest expense for the three months ended March 31, 2008 was $2.1 million compared to $1.5 million for the 2007 period. The increase in interest expense was primarily attributable to higher borrowings outstanding under the Company's Credit Facility, partially offset by lower interest rates during the three months ended March 31, 2008 compared to the 2007 period.

Income tax benefit

The income tax benefit for the three months ended March 31, 2008 was $4.6 million, compared to $804,000 for the 2007 period. The Company's effective income tax rate was 42.5% for the three months ended March 31, 2008 compared to 38.5% for the 2007 period. The increase in the Company's effective tax rate is attributable principally to stock option expense that is not deductible for income tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s principal sources of cash to fund liquidity needs are: (i) cash provided by operating activities and (ii) borrowings available under its Credit Facility. The Company’s primary uses of funds consist of working capital requirements, capital expenditures, payment of principal and interest on its debt, payment of cash dividends and business acquisitions.

At March 31, 2008, the Company had cash and cash equivalents of $533,000, compared to $4.2 million at December 31, 2007.

Borrowings under the Company’s Credit Facility increased to $73.9 million at March 31, 2008 which represents an increase of $5.2 million from December 31, 2007. The increase was primarily due to the operating loss during the period, working capital uses and capital expenditures.

Credit facility

The Company has a $150 million secured credit facility, with an accordion feature for an additional $50 million, that expires in April 2011 (the “Credit Facility”). Borrowings under the Credit Facility are secured by all assets of the Company. Under the terms of the Credit Facility, the Company is required to satisfy certain financial covenants, including covenants providing limitations on indebtedness, sale of assets and capital expenditures, a maximum leverage ratio and a minimum interest coverage ratio. At March 31, 2008, the Company was in compliance with these covenants. Borrowings under the Credit Facility have different interest rate options that are based either on, (i) an alternate base rate, (ii) the Libor rate, or (iii) the lender’s cost of funds rate, plus in each case a margin based on a leverage ratio. In April 2008, the Credit Facility was amended to revise certain financial covenants, increase the applicable margin rates and establish a borrowing base calculation.

At March 31, 2008, the Company had $3.0 million of open letters of credit and $73.9 million of borrowings outstanding under its Credit Facility. Interest rates on outstanding borrowings at March 31, 2008 ranged from 3.39% to 4.62%. The Company has interest rate swap and collar agreements with an aggregate notional amount of $55.2 million at March 31, 2008 and December 31, 2007. The Company entered into these agreements to effectively fix the interest rate on a portion of its borrowings under the Credit Facility. The agreements have maturity dates that exceed one year as the Company does not intend to repay an equivalent amount of debt within one year. Accordingly, $55.2 million of debt outstanding under the Credit Facility at March 31, 2008 and December 31, 2007, has been classified as long-term debt.

Convertible Notes

The Company has outstanding $75 million aggregate principal amount of 4.75% Convertible Senior Notes due 2011 (the “Notes”). The Notes are convertible into shares of the Company’s common stock at a conversion price of $28.00 per share, subject to adjustment in certain events. The Notes bear interest at 4.75% *per annum*, payable semiannually in arrears on January 15 and July 15 of each year and are unsubordinated except with respect to the Company’s debt to the extent secured by the Company’s assets. The Notes mature on July 15, 2011.

Share repurchase program

The Board of Directors of the Company has authorized a program to repurchase up to $40.0 million of the Company’s common stock through open market purchases or privately-negotiated transactions. As of March 31, 2008 the Company had purchased in the open market and retired a total of 1,362,505 shares of its common stock for a total cost of $22.7 million under the program. There were no purchases during the three months ended March 31, 2008.

Dividends

The Company has declared the following dividends in 2008:

Dividend	Date declared	Date of record	Payment date
$0.0625	January 23, 2008	February 8, 2008	February 15, 2008
$0.0625	March 4, 2008	May 2, 2008	May 16, 2008

Operating activities

Cash used by operating activities was $5.3 million for the three months ended March 31, 2008 compared to $12.0 million in the 2007 period. Working capital increased $3.4 million during the 2008 period compared to an increase of $13.3 million during the 2007 period. The balance of cash used in operating activities for the 2008 period was due to the operating loss during the period.

Investing activities

Cash used in investing activities was $2.7 million for the three months ended March 31, 2008 compared to $7.5 million in the 2007 period. The 2008 reduction results primarily from lower capital expenditures in the 2008 period. 2007 capital expenditures included amounts paid in connection with the Company's implementation of its new SAP business enterprise system during the second quarter of 2007. The Company's 2008 planned capital expenditures are estimated at $8.5 million. These expenditures are expected to be funded from current operations and, if necessary, borrowings under the Company's Credit Facility.

Financing activities

Cash provided by financing activities was $4.3 million for the three months ended March 31, 2008 compared to $20.4 million for the 2007 period. In 2008, net borrowings under the Company's Credit Facility were $5.2 million compared to $21.3 million for the 2007 period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of the Company. The Company is exposed to market risk associated with changes in interest rates. The Company's Credit Facility bears interest at variable rates and, therefore, the Company is subject to increases and decreases in interest expense resulting from fluctuations in interest rates. The Company has interest rate swap agreements with an aggregate notional amount of $50 million and interest rate collar agreements with an aggregate notional amount of $40.2 million to manage interest rate exposure in connection with these variable interest rate borrowings. There have been no changes in interest rates that would have a material impact on the consolidated financial position, results of operations or cash flows of the Company for the three months ended March 31, 2008.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of March 31, 2008, that the Company's controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed by it under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those disclosed in the Company's 2007 Annual Report on Form 10-K.

Item 6. Exhibits

Exhibit 31.1 Certification by Jeffrey Siegel, Chief Executive Officer and President, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification by Laurence Winoker, Senior Vice President – Finance, Treasurer and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification by Jeffrey Siegel, Chief Executive Officer and President, and Laurence Winoker, Senior Vice President – Finance, Treasurer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

22

Explanation of Responses:

SIGNATURES

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 thereunto duly authorized.

Lifetime Brands, Inc.

/s/ Jeffrey Siegel May 9, 2008
Jeffrey Siegel

Chief Executive Officer and
President

(Principal Executive Officer)

/s/ Laurence Winoker May 9, 2008
Laurence Winoker

Senior Vice President – Finance, Treasurer and Chief Financial Officer

(Principal Financial and Accounting Officer)

23