

SCHWEITZER MAUDUIT INTERNATIONAL INC
Form 10-Q
November 02, 2011
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, 2011

OR

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

For the transition period from _____ to _____

1-13948

(Commission file number)

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

62-1612879

(I.R.S. Employer Identification No.)

100 North Point Center East, Suite 600

Alpharetta, Georgia

(Address of principal executive offices)

30022

(Zip code)

1-800-514-0186

(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 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

There were 16,168,842 shares of common stock, par value \$0.10 per share, of the registrant outstanding as of October
28, 2011.

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PART I

ITEM 1. FINANCIAL STATEMENTS

SCHWEITZER-MAUDUIT INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(dollars in millions, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net Sales	\$211.2	\$182.0	\$598.1	\$557.4
Cost of products sold	154.9	132.5	439.5	409.1
Gross Profit	56.3	49.5	158.6	148.3
Selling expense	5.7	4.5	16.3	14.3
Research expense	2.3	2.1	6.7	6.2
General expense	14.6	11.5	42.2	33.9
Total nonmanufacturing expenses	22.6	18.1	65.2	54.4
Valuation allowance on ICMS business tax credits	15.9	—	15.9	—
Restructuring and impairment expense	6.6	0.7	8.3	7.2
Operating Profit	11.2	30.7	69.2	86.7
Interest expense	1.1	0.4	1.8	1.4
Other income (expense), net	(1.1	) 0.8	(1.0	) (0.5
Income from Continuing Operations before Income Taxes and Income from Equity Affiliates	9.0	31.1	66.4	84.8
Provision for income taxes	0.9	10.7	23.4	30.1
Income from equity affiliates	1.4	0.8	3.4	2.1
Income from Continuing Operations	9.5	21.2	46.4	56.8
Loss from Discontinued Operations	(0.5	) (3.0	) (1.4	) (5.2
Net Income	\$9.0	\$18.2	\$45.0	\$51.6
Net Income (Loss) per Share - Basic:				
Income per share from continuing operations	\$0.60	\$1.16	\$2.72	\$3.12
Loss per share from discontinued operations	(0.02	) (0.16	) (0.08	) (0.28
Net income per share – basic	\$0.58	\$1.00	\$2.64	\$2.84
Net Income (Loss) per Share – Diluted:				
Income per share from continuing operations	\$0.60	\$1.14	\$2.70	\$3.06
Loss per share from discontinued operations	(0.03	) (0.16	) (0.08	) (0.28
Net income per share – diluted	\$0.57	\$0.98	\$2.62	\$2.78
Cash Dividends Declared Per Share	\$0.15	\$0.15	\$0.45	\$0.45
Weighted Average Shares Outstanding:				

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Basic	15,957,100	17,641,000	16,827,200	17,755,100
Diluted	16,095,600	18,007,200	16,951,600	18,101,900

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

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SCHWEITZER-MAUDUIT INTERNATIONAL, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (dollars in millions, except per share amounts)

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$61.3	\$87.3
Accounts receivable	117.9	98.9
Inventories	111.8	113.8
Income taxes receivable	11.5	0.9
Other current assets	11.6	11.9
Total Current Assets	314.1	312.8
Property, Plant and Equipment, net	439.9	440.8
Deferred Income Tax Benefits	12.4	11.8
Investment in Equity Affiliates	29.9	20.5
Goodwill and Intangible Assets	7.8	8.8
Other Assets	34.0	55.7
Total Assets	\$838.1	\$850.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current debt	\$5.0	\$8.7
Accounts payable	57.3	66.4
Accrued expenses	87.0	105.6
Current deferred revenue	—	6.0
Total Current Liabilities	149.3	186.7
Long-Term Debt	159.9	43.1
Pension and Other Postretirement Benefits	40.0	46.3
Deferred Income Tax Liabilities	22.9	28.9
Other Liabilities	25.0	21.2
Total Liabilities	397.1	326.2
Stockholders' Equity:		
Preferred stock, \$0.10 par value; 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.10 par value; 100,000,000 shares authorized; 18,732,013 and 18,721,474 shares issued at September 30, 2011 and December 31, 2010, respectively; 16,121,806 and 18,027,903 shares outstanding at September 30, 2011 and December 31, 2010, respectively	1.9	1.9
Additional paid-in-capital	208.0	208.8
Common stock in treasury, at cost, 2,610,207 and 693,571 shares at September 30, 2011 and December 31, 2010, respectively	(132.1)	(24.4)
Retained earnings	373.7	336.4
Accumulated other comprehensive (loss) income, net of tax	(10.5)	1.5

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Total Stockholders' Equity	441.0	524.2
Total Liabilities and Stockholders' Equity	\$838.1	\$850.4

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

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SCHWEITZER-MAUDUIT INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'
EQUITY AND COMPREHENSIVE INCOME (LOSS)

(dollars in millions, except per share amounts)

(Unaudited)

	Common Stock Issued		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	
	Shares	Amount	Additional Paid-In Capital	Shares				Amount
Balance, December 31, 2009	18,633,235	\$ 1.9	\$ 205.7	758,350	\$(14.0)	\$ 281.9	\$ 6.7	\$ 482.2
Net income for the nine months ended September 30, 2010					51.6			51.6
Adjustments to unrealized foreign currency translation						1.1		1.1
Changes in fair value of derivative instruments, net of tax						(1.1)		(1.1)
Amortization of postretirement benefit plans' costs, net of tax						1.7		1.7
Comprehensive income, net of tax								53.3
Dividends declared (\$0.45 per share)						(8.1)		(8.1)
Restricted stock issuances, net			(8.6)	(453,473)	8.6			—
Stock-based employee compensation expense			5.6					5.6
Excess tax benefits of stock-based employee compensation			1.3					1.3
Stock issued to directors as compensation	1,939		0.1					0.1
Issuance of shares for options exercised	63,966		1.6					1.6
Purchases of treasury stock				388,694	(19.0)			(19.0)
Balance, September 30, 2010	18,699,140	\$ 1.9	\$ 205.7	693,571	\$(24.4)	\$ 325.4	\$ 8.4	\$ 517.0
Balance, December 31, 2010	18,721,474	\$ 1.9	\$ 208.8	693,571	\$(24.4)	\$ 336.4	\$ 1.5	\$ 524.2
Net income for the nine months ended September 30, 2011					45.0			45.0
Adjustments to unrealized foreign currency translation						(8.9)		(8.9)

Changes in fair value of derivative instruments, net of tax								(5.8)	(5.8)
Amortization of postretirement benefit plans' costs, net of tax								2.7	2.7
Comprehensive income, net of tax									33.0
Dividends declared (\$0.45 per share)								(7.7)	(7.7)
Restricted stock issuances, net			(13.2)	(318,560)	13.2				—
Stock-based employee compensation expense			3.0						3.0
Excess tax benefits of stock-based employee compensation			9.1						9.1
Stock issued to directors as compensation	476		—						—
Issuance of shares for options exercised	10,063		0.3	(1,649)					0.3
Purchases of treasury stock				2,236,845	(120.9)				(120.9)
Balance, September 30, 2011	18,732,013	\$1.9	\$ 208.0	2,610,207	\$(132.1)	\$373.7	\$ (10.5)		\$441.0

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

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CONSOLIDATED STATEMENTS OF CASH FLOW

(dollars in millions)

(Unaudited)

	Nine Months Ended	
	September 30, 2011	September 30, 2010
Operations		
Net income	\$45.0	\$51.6
Less: Loss from discontinued operations	1.4	5.2
Income from continuing operations	46.4	56.8
Non-cash items included in net income:		
Depreciation and amortization	33.0	29.6
Restructuring-related impairment	3.4	0.5
Valuation allowance on ICMS business tax credits	15.9	—
Amortization of deferred revenue	(6.0	) (6.0
Deferred income tax provision (benefit)	(6.3	) 20.6
Pension and other postretirement benefits	(2.4	) 1.6
Stock-based compensation	3.0	5.6
Income from equity affiliate	(3.4	) (2.1