KEMET CORP Form 10-Q November 09, 2006

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# Form 10-Q

(Mark One)

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended September 30, 2006.

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 0-20289

## KEMET CORPORATION

(Exact name of registrant as specified in its charter)

#### **DELAWARE**

57-0923789

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

#### 2835 KEMET WAY, SIMPSONVILLE, SOUTH CAROLINA 29681

(Address of principal executive offices, zip code)

(864) 963-6300

(Registrant s telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report: N/A

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 X NO o

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 (Check one):

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Large accelerated filer X Accelerated filer O Non-accelerated filer O

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). o Yes x No

Common Stock Outstanding at: September 30, 2006

**Title of Each Class**Common Stock, \$.01 Par Value

Number of Shares Outstanding 87,029,826

## PART 1 - FINANCIAL INFORMATION

#### **ITEM 1 - Financial Statements**

### KEMET CORPORATION AND SUBSIDIARIES Consolidated Balance Sheets (Dollars in thousands except per share data) (Unaudited)

Current assets:		September 30, 2006	March 31, 2006	
Cash and cash equivalents         \$ 63,013         \$ 163,778           Short-term investments         114,374         68,457           Inventories:         114,374         68,457           Inventories:         48,758         45,681           Raw materials and supplies         48,758         45,681           Work in process         45,642         42,960           Flinished goods         49,94         36,429           Total inventories         8,155         7,822           Petpaid expenses and other current assets         8,155         7,822           Deferred income taxes         5,156         4,647           Total current assets         8,155         7,822           Deferred income taxes         8,156         4,647           Total current assets         8,156         4,647           Noncurrent assets         8,151         4,647           Noncurrent assets         4,813         4,502           Property and equipment, not of accumulated depreciation of \$705.7 million and \$641.0         383,8358         253,303           William and Spetched of 30,2006 and March 31,2006, respectively         4,813         4,502           Investments in US, government marketable securities         6,689         67,195           Inve	ASSETS			
Accounts receivable, net   14,374   68,457	Current assets:			
Accounts receivable, net   Inventories:   Invento	Cash and cash equivalents	\$ 63,013	\$ 163,778	
Invention   Inve	Short-term investments		4,889	
Raw materials and supplies         48,788         45,681           Work in process         45,642         42,984           Finished goods         137,394         125,070           Prepaid expenses and other current assets         8,155         7,822           Deferred income taxes         5,156         4,647           Total current assets         328,092         374,663           Noncurrent assets         77,202         77,202           Property and equipment, net of accumulated depreciation of \$705.7 million and \$641.00         338,358         253,303           Working in U.S. government, and a securities         48,13         4,502           Investments in U.S. government marketable securities         62,689         67,195           Investments in U.S. government marketable securities         1,055         972           Goodwill         39,339         30,471           Intangible assets, net         14,894         12,506           Other assets         3,994         4,706           Total anocurrent assets         29,3234         8,748,318           LIABILITIES AND STOCKHOLDERS EQUITY         Current fabilities:         20,000         \$ 20,000           Accorned expenses         29,756         32,303         1,63,24           Income taxes	Accounts receivable, net	114,374	68,457	
Work in process         45,642         42,960           Finished goods         42,994         36,429           Total inventories         137,394         125,070           Prepaid expenses and other current assets         8,155         7,822           Deferred income taxes         5,156         4,647           Total current assets         328,092         374,663           Noncurrent assets         328,092         374,663           Noncurrent assets         8,155         7,822           Property and equipment, net of accumulated depreciation of \$705.7 million and \$641.0         338,358         253,303           Property held for sale         4,813         4,502           Investments in U.S. government marketable securities         62,689         67,195           Investments in in III.         1,055         972           Goodwill         39,339         30,471           Intangible assets, net         14,894         12,506           Other assets         3,994         4,706           Total annocurrent assets         465,142         373,655           Total assets         8,793,234         8,748,318           LIABILITIES AND STOCKHOLDERS EQUITY         Current portion of long-term debt         9,496         47,251 <tr< td=""><td>Inventories:</td><td></td><td></td></tr<>	Inventories:			
Finished goods	Raw materials and supplies	48,758	45,681	
Total inventories   137,394   125,070   Prepaid expenses and other current assets   8,155   7,822   7,822   7,822   7,822   7,822   7,823   7	Work in process	45,642	42,960	
Prepaid expenses and other current assets	Finished goods			
Deferred income taxes         5,156         4,647           Total current assets         328,092         374,663           Noncurrent assets         74,663         374,663           Noncurrent assets         74,663         328,092         374,663           Property and equipment, net of accumulated depreciation of \$705.7 million and \$641.0         338,358         253,303           Property held for sale         4,813         4,502           Investments in U.S. government marketable securities         62,689         67,195           Investments in affiliates         1,055         972           Goodwill         39,339         30,471           Intangible assets, net         14,894         12,506           Other assets         465,142         373,655           Total noncurrent assets         465,142         373,655           Total assets         793,234         \$ 748,318           LABBILITIES AND STOCKHOLDERS EQUITY           Current portion of long-term debt         \$ 20,000         \$ 20,000           Accounts payable, trade         94,886         47,251           Accounts payable, trade         94,866         47,251           Account asset payable         7,309         5,770 <td>Total inventories</td> <td>137,394</td> <td colspan="2">125,070</td>	Total inventories	137,394	125,070	
Total current assets   \$328,092   \$74,663   Noncurrent assets:	Prepaid expenses and other current assets	8,155	7,822	
Noncurrent assets:   Property and equipment, net of accumulated depreciation of \$705.7 million and \$641.0 million as of \$espember 30, 2006 and March 31, 2006, respectively.   338,358   253,303     Property held for sale   4,813   4,502     Investments in U.S. government marketable securities   62,689   67,195     Investments in affiliates   1,055   972     Goodwill   39,339   30,471     Intangible assets, net   14,894   12,506     Other assets   3,994   4,706     Other assets   465,142   373,655     Total anoncurrent assets   465,142   373,655     Total assets   793,234   748,318      LIABILITIES AND STOCKHOLDERS EQUITY     Current liabilities:   20,000   20,000     Accounts payable, trade   94,986   47,251     Accrued expenses   29,756   32,303     Income taxes payable   7,309   5,770     Total current liabilities:   152,051   105,324     Noncurrent liabilities:   152,051   105,324     Noncurrent liabilities   152,051   105,324     Noncurrent liabilities   152,051   105,324     Total noncurrent liabilities   119,193   130,291     Total liabilities   119,193   130,291     Total liabilities   271,244   235,615     Stockholders equity   881   881     Additional paid-in capital   881,02,919   318,953   315,500     Retained earnings   222,657   221,221     Accumulated other comprehensive income/(loss)   (102	Deferred income taxes	5,156	4,647	
Property and equipment, net of accumulated depreciation of \$705.7 million and \$641.0 million as of September 30, 2006 and March 31, 2006, respectively.   A	Total current assets	328,092	374,663	
million as of September 30, 2006 and March 31, 2006, respectively.         338,358         253,303           Property held for sale         4,813         4,502           Investments in U.S. government marketable securities         62,689         67,195           Investments in affiliates         1,055         972           Goodwill         39,339         30,471           Intangible assets, net         14,894         12,506           Other assets         3,994         4,706           Total noncurrent assets         465,142         373,655           Total assets         793,234         8 748,318           LIABILITIES AND STOCKHOLDERS EQUITY         EUTY         Current portion of long-term debt         \$ 20,000         \$ 20,000           Accounts payable, trade         94,986         47,251         Accrued expenses         29,756         32,303           Income taxes payable         7,309         5,770         Total current liabilities         152,051         105,324           Noncurrent liabilities         152,051         105,324         Noncurrent liabilities         100,000           Postretirement benefits and other noncurrent obligations         49,164         44,139         44,139           Deferred income taxes         6,364         6,152         5	Noncurrent assets:			
Property held for sale         4,813         4,502           Investments in U.S. government marketable securities         62,689         67,195           Investments in affiliates         1,055         972           Goodwill         39,339         30,471           Intangible assets, net         14,894         12,506           Other assets         3,994         4,706           Total noncurrent assets         465,142         373,655           Total assets         5,793,234         748,318           LABILITIES AND STOCKHOLDERS EQUITY           Current liabilities:           Current portion of long-term debt         \$ 20,000         \$ 20,000           Accorded expenses         29,756         32,303           Accorded expenses         29,756         32,303           Income taxes payable         7,309         5,770           Total current liabilities         152,051         105,324           Noncurrent liabilities           Long-term debt         63,665         80,000           Postretirement benefits and other noncurrent obligations         49,164         44,139           Deferred income taxes         6,364         6,152 </td <td>Property and equipment, net of accumulated depreciation of \$705.7 million and \$641.0</td> <td></td> <td></td>	Property and equipment, net of accumulated depreciation of \$705.7 million and \$641.0			
Investments in U.S. government marketable securities	million as of September 30, 2006 and March 31, 2006, respectively.	338,358	253,303	
Investments in affiliates	Property held for sale	4,813	4,502	
Investments in affiliates	Investments in U.S. government marketable securities	62,689	67,195	
Intangible assets, net	Investments in affiliates	1,055	972	
Other assets       3,994       4,706         Total noncurrent assets       465,142       373,655         Total assets       793,234       748,318         LIABILITIES AND STOCKHOLDERS EQUITY         Current liabilities:         Current portion of long-term debt       \$ 20,000       \$ 20,000         Accounts payable, trade       94,986       47,251         Accrued expenses       29,756       32,303         Income taxes payable       7,309       5,770         Total current liabilities         Long-term debt       63,665       80,000         Postretirement benefits and other noncurrent obligations       49,164       44,139         Deferred income taxes       6,364       6,152         Total Inabilities       119,193       130,291         Total Inabilities       271,244       235,615         Stockholders equity:         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings <t< td=""><td>Goodwill</td><td>39,339</td><td>30,471</td></t<>	Goodwill	39,339	30,471	
Total noncurrent assets	Intangible assets, net	14,894	12,506	
Total assets   \$ 793,234   \$ 748,318	Other assets	3,994	4,706	
Current liabilities:   Current portion of long-term debt   \$ 20,000   \$ 20,000     Accounts payable, trade   94,986   47,251     Accrued expenses   29,756   32,303     Income taxes payable   7,309   5,770     Total current liabilities   152,051   105,324     Noncurrent liabilities:	Total noncurrent assets	465,142	373,655	
Current liabilities:         Current portion of long-term debt       \$ 20,000       \$ 20,000         Accounts payable, trade       94,986       47,251         Accrued expenses       29,756       32,303         Income taxes payable       7,309       5,770         Total current liabilities       152,051       105,324         Noncurrent liabilitites:       80,000         Long-term debt       63,665       80,000         Postretirement benefits and other noncurrent obligations       49,164       44,139         Deferred income taxes       6,364       6,152         Total noncurrent liabilities       119,193       130,291         Total liabilities       271,244       235,615         Stockholders equity:         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumalated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and         March 31, 2006, respectively)       (20,399 <td< td=""><td>Total assets</td><td>\$ 793,234</td><td>\$ 748,318</td></td<>	Total assets	\$ 793,234	\$ 748,318	
Current portion of long-term debt       \$ 20,000       \$ 20,000         Accounts payable, trade       94,986       47,251         Accrued expenses       29,756       32,303         Income taxes payable       7,309       5,770         Total current liabilities       152,051       105,324         Noncurrent liabilities:       80,000       105,324         Long-term debt       63,665       80,000         Postretirement benefits and other noncurrent obligations       49,164       44,139         Deferred income taxes       6,364       6,152         Total noncurrent liabilities       119,193       130,291         Total liabilities       271,244       235,615         Stockholders equity:       881       881         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and March 31, 2006, respectively)       (20,399       ) (22,556         Total stockholders e	LIABILITIES AND STOCKHOLDERS EQUITY			
Accounts payable, trade 94,986 47,251 Accrued expenses 29,756 32,303 Income taxes payable 7,309 5,770 Total current liabilities 152,051 105,324 Noncurrent liabilities: Long-term debt 63,665 80,000 Postretirement benefits and other noncurrent obligations 49,164 44,139 Deferred income taxes 6,364 6,152 Total noncurrent liabilities 119,193 130,291 Total liabilities 271,244 235,615  Stockholders equity: Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively 881 881 Additional paid-in capital 318,953 315,500 Retained earnings 222,657 221,221 Accumulated other comprehensive income/(loss) (102 ) (2,343 Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and March 31, 2006 respectively (20,399 ) (22,556 Total stockholders equity) 521,990 512,703	Current liabilities:			
Accrued expenses 29,756 32,303   Income taxes payable 7,309 5,770   Total current liabilities 152,051 105,324   Noncurrent liabilities:	Current portion of long-term debt	\$ 20,000	\$ 20,000	
Income taxes payable	Accounts payable, trade	94,986	47,251	
Total current liabilities       152,051       105,324         Noncurrent liabilitites:       152,051       105,324         Long-term debt       63,665       80,000         Postretirement benefits and other noncurrent obligations       49,164       44,139         Deferred income taxes       6,364       6,152         Total noncurrent liabilities       119,193       130,291         Total liabilities       271,244       235,615         Stockholders equity:         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and March 31, 2006, respectively)       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Accrued expenses	29,756	32,303	
Noncurrent liabilitites:  Long-term debt 63,665 80,000  Postretirement benefits and other noncurrent obligations 49,164 44,139  Deferred income taxes 6,364 6,152  Total noncurrent liabilities 119,193 130,291  Total liabilities 271,244 235,615  Stockholders equity:  Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively 881 881  Additional paid-in capital 318,953 315,500  Retained earnings 222,657 221,221  Accumulated other comprehensive income/(loss) (102 ) (2,343  Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and March 31, 2006, respectively) (20,399 ) (22,556  Total stockholders equity 521,990 512,703	Income taxes payable	7,309	5,770	
Long-term debt       63,665       80,000         Postretirement benefits and other noncurrent obligations       49,164       44,139         Deferred income taxes       6,364       6,152         Total noncurrent liabilities       119,193       130,291         Total liabilities       271,244       235,615         Stockholders equity:       Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and March 31, 2006, respectively)       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Total current liabilities	152,051	105,324	
Postretirement benefits and other noncurrent obligations 49,164 44,139  Deferred income taxes 6,364 6,152  Total noncurrent liabilities 119,193 130,291  Total liabilities 271,244 235,615  Stockholders equity:  Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively 881 881  Additional paid-in capital 318,953 315,500  Retained earnings 222,657 221,221  Accumulated other comprehensive income/(loss) (102 ) (2,343  Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and March 31, 2006, respectively) (20,399 ) (22,556  Total stockholders equity 521,990 512,703	Noncurrent liabilitites:			
Deferred income taxes       6,364       6,152         Total noncurrent liabilities       119,193       130,291         Total liabilities       271,244       235,615         Stockholders equity:         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and         88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       March 31, 2006, respectively)       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Long-term debt	63,665	80,000	
Total noncurrent liabilities       119,193       130,291         Total liabilities       271,244       235,615         Stockholders equity:         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and         88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Postretirement benefits and other noncurrent obligations	49,164	44,139	
Total liabilities       271,244       235,615         Stockholders equity:       271,244       235,615         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and 88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and March 31, 2006, respectively)       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Deferred income taxes	6,364	6,152	
Stockholders equity:         Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and         88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Total noncurrent liabilities	119,193	130,291	
Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and       88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Total liabilities	271,244	235,615	
Common stock, par value \$0.01, authorized 300,000,000 shares issued 88,136,436 and       88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       (20,399       ) (22,556         Total stockholders equity       521,990       512,703	Stockholders equity:			
88,102,919 shares at September 30, 2006 and March 31, 2006 respectively       881       881         Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       (20,399       ) (22,556         Total stockholders equity       521,990       512,703				
Additional paid-in capital       318,953       315,500         Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       (20,399       ) (22,556         Total stockholders equity       521,990       512,703		881	881	
Retained earnings       222,657       221,221         Accumulated other comprehensive income/(loss)       (102       ) (2,343         Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and       (20,399       ) (22,556         Total stockholders equity       521,990       512,703				
Accumulated other comprehensive income/(loss) (102 ) (2,343  Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and  March 31, 2006, respectively) (20,399 ) (22,556  Total stockholders equity 521,990 512,703			,	
Treasury stock, at cost (1,106,610 and 1,223,635 shares at September 30, 2006 and         March 31, 2006, respectively)       (20,399 )       ) (22,556         Total stockholders equity       521,990 512,703				
March 31, 2006, respectively)       (20,399)       (22,556)         Total stockholders equity       521,990       512,703			, ( )	
Total stockholders equity 521,990 512,703	· · · · · · · · · · · · · · · · · · ·	(20,399	) (22.556	
		` '		
	Total liabilities and stockholders equity	\$ 793,234	\$ 748,318	

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See accompanying notes to consolidated financial statements.

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## KEMET CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations (Dollars in thousands except per share data) (Unaudited)

	Three months ended September 30, 2006 2005		Six months ended September 30, 2006 2005	
Net sales	\$ 166,548	\$ 116,608	\$ 336,117	\$ 230,712
Operating costs and expenses:				
Cost of goods sold	132,443	97,463	265,157	192,453
Selling, general and administrative	21,245	12,067	45,165	24,293
Research and development	7,429	6,008	15,222	12,225
Restructuring charges	3,415	3,154	8,090	11,327
Total operating costs and expenses	164,532	118,692	333,634	240,298
Operating income/(loss)	2,016	(2,084	) 2,483	(9,586
1 0		` '	•	, ,
Other (income)/expense:				