

MINERALS TECHNOLOGIES INC
Form 10-Q
November 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended October 2, 2016

or

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

Commission File Number 1-11430

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MINERALS TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

DELAWARE 25-1190717
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

622 Third Avenue, New York, NY 10017-6707
(Address of principal executive offices, including zip code)

(212) 878-1800
(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.

Large Accelerated Filer Accelerated Filer Non- accelerated Filer Smaller Reporting Company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 20, 2016
Common Stock, \$0.10 par value	34,934,626



MINERALS TECHNOLOGIES INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months		Nine Months Ended	
	Ended		Oct. 2,	Sept. 27,
	Oct. 2,	Sept. 27,	Oct. 2,	Sept. 27,
	2016	2015	2016	2015
	(in millions, except per share data)			
Product sales	\$379.7	\$ 410.1	\$1,171.1	\$1,218.8
Service revenue	19.8	40.9	65.6	148.8
Total net sales	399.5	451.0	1,236.7	1,367.6
Cost of goods sold	272.0	302.4	840.8	895.8
Cost of service revenue	12.3	29.7	46.9	110.2
Total cost of sales	284.3	332.1	887.7	1,006.0
Production margin	115.2	118.9	349.0	361.6
Marketing and administrative expenses	42.4	49.9	134.2	145.4
Research and development expenses	5.9	6.2	17.9	17.8
Acquisition related transaction and integration costs	1.9	2.4	5.1	8.5
Restructuring and other items, net	(2.3)	10.5	27.4	27.3
Income from operations	67.3	49.9	164.4	162.6
Interest expense, net	(13.4)	(14.5)	(41.4)	(45.5)
Extinguishment of debt costs and fees	-	-	-	(4.5)
Other non-operating income (deductions), net	(0.6)	2.8	1.7	5.7
Total non-operating deductions, net	(14.0)	(11.7)	(39.7)	(44.3)
Income from continuing operations before provision for taxes and equity in earnings	53.3	38.2	124.7	118.3
Provision for taxes on income	11.5	8.4	26.7	25.8
Equity in earnings of affiliates, net of tax	0.7	0.5	1.6	1.4
Consolidated net income	42.5	30.3	99.6	93.9
Less:				
Net income attributable to non-controlling interests	0.9	1.1	2.9	2.9
Net income attributable to Minerals Technologies Inc. (MTI)	\$41.6	\$ 29.2	\$96.7	\$91.0
Earnings per share:				
Basic:				
Income from continuing operations attributable to MTI	\$1.19	\$ 0.84	\$2.78	\$2.62

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Diluted:				
Income from continuing operations attributable to MTI	\$1.18	\$ 0.83	\$2.75	\$2.60
Cash dividends declared per common share	\$0.05	\$ 0.05	\$0.15	\$0.15
Shares used in computation of earnings per share:				
Basic	34.9	34.7	34.8	34.7
Diluted	35.3	35.0	35.1	35.0

See accompanying Notes to Condensed Consolidated Financial Statements.

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months		Nine Months Ended	
	Ended Oct. 2, 2016	Sept. 27, 2015	Oct. 2, 2016	Sept. 27, 2015
	(millions of dollars)			
Consolidated net income	\$42.5	\$ 30.3	\$ 99.6	\$ 93.9
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1.2	(35.8)	2.0	(66.1)
Pension and postretirement plan adjustments	1.2	1.6	3.8	4.6
Cash flow hedges:				
Net derivative gains (losses) arising during the period	0.4	-	(0.3)	-
Total other comprehensive income (loss), net of tax	2.8	(34.2)	5.5	(61.5)
Total comprehensive income including non-controlling interests	45.3	(3.9)	105.1	32.4
Comprehensive income attributable to non-controlling interest	(0.4)	(0.2)	(2.2)	(1.9)
Comprehensive income attributable to MTI	\$44.9	\$ (4.1)	\$ 102.9	\$ 30.5

See accompanying Notes to Condensed Consolidated Financial Statements.

IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Oct. 2, 2016*	December 31, 2015**
(millions of dollars)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$199.7	\$ 229.4
Short-term investments, at cost which approximates market	5.1	2.6
Accounts receivable, net	363.9	348.7
Inventories	209.1	194.9
Prepaid expenses and other current assets	32.4	28.0
Total current assets	810.2	803.6
Property, plant and equipment	2,178.3	2,167.3
Less accumulated depreciation and depletion	(1,107.1)	(1,063.0)
Property, plant and equipment, net	1,071.2	1,104.3
Goodwill	780.3	781.2
Intangible assets	206.4	212.7
Other assets and deferred charges	70.6	78.2
Total assets	\$2,938.7	\$ 2,980.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$6.3	\$ 6.5
Current maturities of long-term debt	4.6	3.1
Accounts payable	155.8	152.4
Other current liabilities	154.7	156.6
Total current liabilities	321.4	318.6
Long-term debt, net of unamortized discount	1,117.3	1,255.3
Deferred income taxes	242.4	252.0
Other non-current liabilities	216.3	216.4
Total liabilities	1,897.4	2,042.3
Shareholders' equity:		
Common stock	4.8	4.8
Additional paid-in capital	395.4	387.6
Retained earnings	1,384.2	1,292.7
Accumulated other comprehensive loss	(174.7)	(180.9)
Less common stock held in treasury	(596.3)	(593.7)
Total MTI shareholders' equity	1,013.4	910.5
Non-controlling interest	27.9	27.2
Total shareholders' equity	1,041.3	937.7
Total liabilities and shareholders' equity	\$2,938.7	\$ 2,980.0

* Unaudited

** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	Oct. 2, 2016	Sept. 27, 2015
	(millions of dollars)	
Operating Activities:		
Consolidated net income	\$ 99.6	\$ 93.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	66.6	77.3
Impairment of assets	18.5	21.1
Other non-cash items	8.2	8.2
Net changes in operating assets and liabilities	(28.7)	(5.8)
Net cash provided by operating activities	164.2	