

SCHWEITZER MAUDUIT INTERNATIONAL INC

Form 10-Q

August 05, 2009

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**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 June 30, 2009

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 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
o No

There were 15,320,400 shares of common stock, par value \$0.10 per share, of the registrant outstanding as of July 31, 2009.

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	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Net Sales	\$ 183.3	\$ 202.0	\$ 367.4	\$ 391.8
Cost of products sold	138.7	177.8	281.2	347.6
Gross Profit	44.6	24.2	86.2	44.2
Selling expense	5.5	5.8	10.7	12.2
Research expense	2.2	2.5	4.0	4.5
General expense	11.6	7.4	23.1	17.0
Total nonmanufacturing expenses	19.3	15.7	37.8	33.7
Restructuring and impairment expense (Note 6)	13.3	3.7	13.6	5.7
Operating Profit	12.0	4.8	34.8	4.8
Interest expense	1.3	2.8	3.1	5.2
Other income (expense), net	(0.6)	0.6	(0.4)	(1.0)
Income (Loss) Before Income Taxes and Net Loss from Equity Affiliates	10.1	2.6	31.3	(1.4)
Provision (benefit) for income taxes (Note 11)	1.9		8.5	(2.6)
Loss from equity affiliates	1.1	0.6	2.4	0.2
Net Income	7.1	2.0	20.4	1.0
Less: Net income attributable to noncontrolling interest				0.2
Net Income attributable to SWM	\$ 7.1	\$ 2.0	\$ 20.4	\$ 0.8
Net Income Per Share:				
Basic	\$ 0.46	\$ 0.13	\$ 1.33	\$ 0.05

Diluted	\$	0.45	\$	0.13	\$	1.32	\$	0.05
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Cash Dividends Declared Per Share	\$	0.15	\$	0.15	\$	0.30	\$	0.30
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Weighted Average Shares Outstanding:

Basic	15,175,600	15,395,900	15,137,400	15,402,000
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Diluted	15,433,700	15,431,000	15,299,300	15,426,000
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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)

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6.3	\$ 11.9
Accounts receivable	88.6	87.0
Inventories	122.7	118.4
Other current assets	22.2	11.1
Total Current Assets	239.8	228.4
Property, Plant and Equipment, net	407.4	407.8
Deferred Income Tax Assets	20.6	26.4
Intangible Assets and Goodwill	14.9	15.6
Investment in Equity Affiliates	13.1	15.4
Other Assets	36.8	35.1
Total Assets	\$ 732.6	\$ 728.7
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Current debt	\$ 26.9	\$ 34.9
Accounts payable	51.0	64.5
Accrued expenses	96.2	91.7
Current deferred revenue	6.0	6.0
Total Current Liabilities	180.1	197.1
Long-Term Debt	136.1	144.9
Pension and Other Postretirement Benefits	62.2	67.3
Deferred Income Tax Liabilities	12.6	11.0
Deferred Revenue	8.9	12.3
Other Liabilities	19.6	18.7
Total Liabilities	419.5	451.3
Stockholders Equity:		
Preferred stock, \$0.10 par value; 10,000,000 shares authorized; none issued or outstanding	1.6	1.6

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Common stock, \$0.10 par value; 100,000,000 shares authorized; 16,078,733 shares issued; 15,310,771 and 15,329,780 shares outstanding at June 30, 2009 and December 31, 2008, respectively			
Additional paid-in-capital		67.3	64.6
Common stock in treasury, at cost, 767,962 and 748,953 shares at June 30, 2009 and December 31, 2008, respectively		(14.1)	(14.1)
Retained earnings		271.7	255.9
Accumulated other comprehensive loss, net of tax		(13.4)	(30.6)
Total Stockholders' Equity		313.1	277.4
Total Liabilities and Stockholders' Equity	\$	732.6	\$ 728.7

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		Additional		Retained Earnings		Accumulated	Noncontrolling	
	Issued	Amount	Paid-In	Treasury Stock	Shares	Amount	Other	Interest	Total
	Shares	Amount	Capital	Shares	Amount	Earnings	Comprehensive Income (Loss)	Interest	Total
Balance, December 31, 2007	16,078,733	1.6	68.0	570,336	(12.3)	264.6	19.9	26.0	367.8
Net income (loss) for the six months ended June 30, 2008						0.8		0.2	1.0
Adjustments to unrealized foreign currency translation, net of tax							20.6		20.6
Amortization of postretirement benefit plans costs, net of tax							0.5		0.5
Comprehensive income, net of tax									22.1
Less:									
Comprehensive income attributable to noncontrolling interest, net of tax									0.2
Comprehensive income attributable to SWM, net of tax									21.9
Purchase of noncontrolling interest								(26.2)	(26.2)
Dividends declared (\$0.30 per share)						(4.7)			(4.7)

Restricted stock issuances, net				(4.3)	(197,965)	4.3			
Stock-based employee compensation expense				0.6					0.6
Stock issued to directors as compensation					(3,466)	0.1			0.1
Purchases of treasury stock					48,900	(1.2)			(1.2)
Issuance of shares for options exercised					(6,000)	0.1			0.1
Balance, June 30, 2008	16,078,733	\$ 1.6	\$ 64.3	411,805	\$ (9.0)	\$ 260.7	\$ 41.0		\$ 358.6
Balance, December 31, 2008	16,078,733	\$ 1.6	\$ 64.6	748,953	\$ (14.1)	\$ 255.9	\$ (30.6)		\$ 277.4
Net income for the six months ended June 30, 2009							20.4		20.4
Adjustments to unrealized foreign currency translation, net of tax								11.6	11.6
Adjustments to net unrealized gain on derivatives, net of tax								4.3	4.3
Amortization of postretirement benefit plans costs, net of tax								1.3	1.3
Comprehensive income attributable to SWM, net of tax									37.6
Dividends declared (\$0.30 per share)				(0.3)	(13,500)	0.3	(4.6)		(4.6)

Restricted stock issuances, net									
Stock-based employee compensation expense			3.5						3.5
Tax effect of stock-based employee compensation expense			(0.5)						(0.5)
Stock issued to directors as compensation				(2,444)	0.1				0.1
Purchases of treasury stock				56,953	(0.8)				(0.8)
Issuance of shares for options exercised				(22,000)	0.4				0.4
Balance, June 30, 2009	16,078,733	\$ 1.6	\$ 67.3	767,962	\$ (14.1)	\$ 271.7	\$ (13.4)		\$ 313.1

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SCHWEITZER-MAUDUIT INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(dollars in millions)
(Unaudited)

	Six Months Ended	
	June 30, 2009	June 30, 2008
Operations		
Net income	\$ 20.4	\$ 1.0
Non-cash items included in net income:		
Depreciation and amortization	21.9	23.8
Asset impairments and restructuring-related accelerated depreciation		3.0
Amortization of deferred revenue	(3.4)	(3.1)
Deferred income tax provision (benefit)	5.4	(11.8)
Pension and other postretirement benefits	(3.4)	0.7
Stock-based employee compensation expense	3.5	0.6
Loss from equity affiliates	2.4	0.2
Other items	0.2	
Net changes in operating working capital	(24.1)	(2.1)
Cash Provided by Operations	22.9	12.3
Investing		
Capital spending	(4.6)	(24.0)
Capitalized software costs	(1.8)	(2.2)
Acquisitions, net of cash acquired		(51.3)
Investment in equity affiliates		(1.9)
Other	0.3	(3.7)
Cash Used for Investing	(6.1)	(83.1)
Financing		
Cash dividends paid to SWM stockholders	(4.6)	(4.7)
Changes in short-term debt	(6.3)	2.9
Proceeds from issuances of long-term debt	12.2	100.1
Payments on long-term debt	(23.1)	(20.9)
Purchases of treasury stock	(0.8)	(1.2)
Other items	(0.1)	0.1
Cash Provided by (Used in) Financing	(22.7)	76.3
Effect of Exchange Rate Changes on Cash	0.3	(0.1)
Increase (Decrease) in Cash and Cash Equivalents	(5.6)	5.4

Cash and Cash Equivalents at beginning of period	11.9	4.0
Cash and Cash Equivalents at end of period	\$ 6.3	\$ 9.4

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

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