

SENSIENT TECHNOLOGIES CORP
Form 10-Q
August 08, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 2016

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

For the transition period from to

Commission file number: 1 7626

SENSIENT TECHNOLOGIES CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin 39 0561070
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202-5304
(Address of principal executive offices)

Registrant's telephone number, including area code: (414) 271 6755

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 at least 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

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 July 31, 2016 |
|--|------------------------------|
| Common Stock, par value \$0.10 per share | 44,780,813 |

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SENSIENT TECHNOLOGIES CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS

(In thousands except per share amounts)

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | \$360,836 | \$346,009 | \$703,304 | \$692,235 |
| Cost of products sold | 236,402 | 227,854 | 463,027 | 456,647 |
| Selling and administrative expenses | 80,769 | 73,088 | 149,093 | 144,075 |
| Operating income | 43,665 | 45,067 | 91,184 | 91,513 |
| Interest expense | 4,637 | 4,106 | 9,437 | 8,021 |
| Earnings before income taxes | 39,028 | 40,961 | 81,747 | 83,492 |
| Income taxes | 14,277 | 11,419 | 25,803 | 23,215 |
| Earnings from continuing operations | 24,751 | 29,542 | 55,944 | 60,277 |
| Gain (Loss) from discontinued operations, net of tax | 3,365 | (92) | 3,343 | (301) |
| Net earnings | \$28,116 | \$29,450 | \$59,287 | \$59,976 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 44,562 | 46,168 | 44,640 | 46,670 |
| Diluted | 44,822 | 46,470 | 44,902 | 46,984 |
| Earnings per common share: | | | | |
| Basic: | | | | |
| Continuing operations | \$0.56 | \$0.64 | \$1.25 | \$1.29 |
| Discontinued operations | 0.08 | - | 0.07 | (0.01) |
| Earnings per common share | \$0.63 | \$0.64 | \$1.33 | \$1.29 |
| Diluted: | | | | |
| Continuing operations | \$0.55 | \$0.64 | \$1.25 | \$1.28 |
| Discontinued operations | 0.08 | - | 0.07 | (0.01) |
| Earnings per common share | \$0.63 | \$0.63 | \$1.32 | \$1.28 |

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| | | | | |
|-------------------------------------|--------|--------|--------|--------|
| Dividends declared per common share | \$0.27 | \$0.25 | \$0.54 | \$0.50 |
|-------------------------------------|--------|--------|--------|--------|

See accompanying notes to consolidated condensed financial statements.

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SENSIENT TECHNOLOGIES CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

| | Three Months | | Six Months | |
|----------------------|----------------|----------|----------------|----------|
| | Ended June 30, | | Ended June 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Comprehensive Income | \$7,174 | \$48,758 | \$53,924 | \$17,845 |

See accompanying notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

| <u>ASSETS</u> | June 30, 2016 (Unaudited) | December 31, 2015 |
|---|---------------------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 20,193 | \$ 11,997 |
| Trade accounts receivable, net | 254,635 | 232,047 |
| Inventories | 381,945 | 409,159 |
| Prepaid expenses and other current assets | 42,176 | 44,673 |
| Assets held for sale | 50,452 | 31,029 |
| TOTAL CURRENT ASSETS | 749,401 | 728,905 |
| OTHER ASSETS | 71,170 | 71,117 |
| DEFERRED TAX ASSETS | 18,686 | 25,177 |
| INTANGIBLE ASSETS, NET | 8,755 | 9,209 |
| GOODWILL | 397,742 | 399,646 |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Land | 35,251 | 33,975 |
| Buildings | 269,151 | 274,318 |
| Machinery and equipment | 633,068 | 664,917 |
| Construction in progress | 86,169 | 62,515 |
| | 1,023,639 | 1,035,725 |
| Less accumulated depreciation | (555,391) | (566,047) |
| | 468,248 | 469,678 |
| TOTAL ASSETS | \$ 1,714,002 | \$ 1,703,732 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES: | | |
| Trade accounts payable | \$ 97,631 | \$ 95,442 |
| Accrued salaries, wages and withholdings from employees | 22,869 | 23,530 |
| Other accrued expenses | 64,934 | 61,701 |
| Income taxes | 4,864 | 7,504 |
| Short-term borrowings | 20,747 | 20,655 |
| Liabilities held for sale | 4,509 | 4,090 |
| TOTAL CURRENT LIABILITIES | 215,554 | 212,922 |
| DEFERRED INCOME TAXES | 6,532 | 5,640 |
| OTHER LIABILITIES | 7,458 | 7,534 |
| ACCRUED EMPLOYEE AND RETIREE BENEFITS | 20,300 | 19,007 |
| LONG TERM DEBT | 601,840 | 613,502 |

SHAREHOLDERS' EQUITY:

| | | |
|--------------------------------------|----------------|----------------|
| Common stock | 5,396 | 5,396 |
| Additional paid in capital | 112,739 | 109,974 |
| Earnings reinvested in the business | 1,337,323 | 1,302,302 |
| Treasury stock, at cost | (417,715) | (402,483) |
| Accumulated other comprehensive loss | (175,425) | (170,062) |
| TOTAL SHAREHOLDERS' EQUITY | 862,318 | 845,127 |

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY \$1,714,002 \$ 1,703,732

See accompanying notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|-----------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net earnings | \$59,287 | \$59,976 |
| Adjustments to arrive at net cash provided by operating activities: | | |
| Depreciation and amortization | 23,301 | 24,258 |
| Share-based compensation | 4,803 | 711 |
| Loss on assets | 8,107 | 6,168 |
| Deferred income taxes | 6,231 | 3,032 |
| Liquidation of foreign entity | (3,257) | - |
| Changes in operating assets and liabilities | 2,373 | (17,268) |
| Net cash provided by operating activities | 100,845 | 76,877 |
| Cash flows from investing activities: | | |
| Acquisition of property, plant and equipment | (34,294) | (36,970) |
| Proceeds from sale of assets | 910 | 12,627 |
| Acquisition of new business | - | (8,393) |
| Other investing activity | (48) | (101) |
| Net cash used in investing activities | (33,432) | (32,837) |
| Cash flows from financing activities: | | |
| Proceeds from additional borrowings | 107,484 | 130,240 |
| Debt payments | (123,067) | (20,097) |
| Purchase of treasury stock | (21,055) | (123,094) |
| Dividends paid | (24,266) | (23,600) |
| Proceeds from options exercised and other equity transactions | 290 | 554 |
| Net cash used in financing activities | (60,614) | (35,997) |
| Effect of exchange rate changes on cash and cash equivalents | 1,397 | (6,587) |
| Net increase in cash and cash equivalents | 8,196 | 1,456 |
| Cash and cash equivalents at beginning of period | 11,997 | 20,329 |
| Cash and cash equivalents at end of period | \$ | |