

SCHWEITZER MAUDUIT INTERNATIONAL INC
Form 10-Q
August 04, 2010

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, 2010

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)

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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 "

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 x 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 x

There were 18,361,113 shares of common stock, par value \$0.10 per share, of the registrant outstanding as of July 30, 2010.

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EX 10.12.3	Amended and Restated Addendum to Second Amended and Restated Agreement between Philip Morris Incorporated and Schweitzer-Mauduit International, Inc. for Fine Paper Supply, effective as of July 1, 2000.
EX 31.1	Section 302 Certification of CEO
EX 31.2	Section 302 Certification of CFO
EX 32	Section 906 Certification of CEO and CFO*

* These Section 906 certifications are not being incorporated by reference into the Form 10-Q filing or otherwise deemed to be filed with the Securities and Exchange Commission.

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		Six Month Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net Sales	\$ 182.9	\$ 183.3	\$ 375.9	\$ 367.4
Cost of products sold	138.0	138.7	277.8	281.2
Gross Profit	44.9	44.6	98.1	86.2
Selling expense	4.6	5.5	9.9	10.7
Research expense	2.1	2.2	4.1	4.0
General expense	10.6	11.6	22.6	23.1
Total nonmanufacturing expenses	17.3	19.3	36.6	37.8
Restructuring and impairment expense	4.0	13.3	8.8	13.6
Operating Profit	23.6	12.0	52.7	34.8
Interest expense	0.6	1.3	1.0	3.1
Other expense, net	0.3	0.6	1.3	0.4
Income Before Income Taxes and Income (Loss) from Equity Affiliates	22.7	10.1	50.4	31.3
Provision for income taxes	8.6	1.9	18.3	8.5
Income (loss) from equity affiliates	0.7	(1.1)	1.3	(2.4)
Net Income	\$ 14.8	\$ 7.1	\$ 33.4	\$ 20.4
Net Income Per Share:				
Basic	\$ 0.80	\$ 0.46	\$ 1.84	\$ 1.33
Diluted	\$ 0.78	\$ 0.45	\$ 1.80	\$ 1.32
Cash Dividends Declared Per Share	\$ 0.15	\$ 0.15	\$ 0.30	\$ 0.30
Weighted Average Shares Outstanding:				
Basic	17,820,200	15,175,600	17,813,000	15,137,400

Diluted	18,137,500	15,433,700	18,150,100	15,299,300
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The accompanying notes are an integral part of these consolidated financial statements.

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

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 91.9	\$ 56.9
Accounts receivable	83.4	85.8
Inventories	106.7	127.3
Income taxes receivable	5.0	23.4
Other current assets	11.1	6.3
Total Current Assets	298.1	299.7
Property, Plant and Equipment, net	371.4	401.1
Deferred Income Tax Benefits	13.4	17.3
Investment in Equity Affiliates	18.0	16.6
Goodwill and Intangible Assets	11.7	14.1
Other Assets	46.6	43.1
Total Assets	\$ 759.2	\$ 791.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current debt	\$ 7.1	\$ 17.7
Accounts payable	49.6	46.7
Accrued expenses	89.4	115.5
Current deferred revenue	6.0	6.0
Total Current Liabilities	152.1	185.9
Long-Term Debt	39.7	42.4
Pension and Other Postretirement Benefits	35.5	38.4
Deferred Income Tax Liabilities	21.2	14.2
Deferred Revenue	3.3	7.2
Other Liabilities	19.6	21.6
Total Liabilities	271.4	309.7
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; 18,679,281 and 18,633,235 shares issued at June 30, 2010 and December 31, 2009, respectively; 18,361,113 and 17,874,885 shares outstanding at June 30, 2010 and December 31, 2009, respectively...	1.9	1.9

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Additional paid-in-capital	202.9	205.7
Common stock in treasury, at cost, 318,168 and 758,350 shares at June 30, 2010 and December 31, 2009, respectively	(6.2)	(14.0)
Retained earnings	309.9	281.9
Accumulated other comprehensive income (loss), net of tax	(20.7)	6.7
Total Stockholders' Equity	487.8	482.2
Total Liabilities and Stockholders' Equity	\$ 759.2	\$ 791.9

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

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		Accumulated Other Retained Comprehensive Earnings Income (Loss)			Total
	Shares	Amount	Additional Paid-In Capital	Shares	Amount				
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	
Changes in fair value of derivative instruments, net of tax							4.3	4.3	
Amortization of postretirement benefit plans' costs, net of tax							1.3	1.3	
Comprehensive income, net of tax								37.6	
Dividends declared (\$0.30 per share)						(4.6)		(4.6)	
Restricted stock issuances, net			(0.3)	(13,500)	0.3				
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	
Issuance of shares for options exercised				(22,000)	0.4			0.4	
Purchases of treasury stock				56,953	(0.8)			(0.8)	
	16,078,733	\$ 1.6	\$ 67.3	767,962	\$ (14.1)	\$ 271.7	\$ (13.4)	\$ 313.1	

Balance, June 30, 2009									
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 six months ended June 30, 2010						33.4		33.4	
Adjustments to unrealized foreign currency translation, net of tax							(25.6)	(25.6)	
Changes in fair value of derivative instruments, net of tax							(2.9)	(2.9)	
Amortization of postretirement benefit plans' costs, net of tax							1.1	1.1	
Comprehensive income, net of tax									