

SCHWEITZER MAUDUIT INTERNATIONAL INC
Form 10-Q
August 08, 2006

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, 2006

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 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

There were 15,450,339 shares of Common Stock, par value \$0.10 per share, of the registrant outstanding as of August 7, 2006.

TABLE OF CONTENTS

| | | Page |
|---------------------------------|---|-------------|
| <u>Part I</u> | <u>FINANCIAL INFORMATION</u> | |
| <u>Item 1.</u> | <u>Financial Statements</u> | 1 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 16 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 36 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | 36 |
| | <u>Report of Independent Registered Public Accounting Firm</u> | 37 |
| | | |
| <u>Part II</u> | <u>OTHER INFORMATION</u> | |
| <u>Item 1.</u> | <u>Legal Proceedings</u> | 38 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 38 |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 38 |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | 38 |
| <u>Item 4.</u> | <u>Submission of Matters to a Vote of Security Holders</u> | 38 |
| <u>Item 5.</u> | <u>Other Information</u> | 38 |
| <u>Item 6.</u> | <u>Exhibits</u> | 39 |
| | | |
| <u>SIGNATURES</u> | | 40 |
| | | |
| <u>GLOSSARY OF TERMS</u> | | |
| | | |
| <u>INDEX TO EXHIBITS</u> | | |
| | | |
| EX 10.1 | Electricity Supply Agreement, dated May 24, 2006, by and among Schweitzer-Mauduit do Brasil, S.A. and Companhia Energetica de Sao Paulo, or CESP | |
| EX 10.2 | Credit Agreement, dated July 31, 2006, by and among Schweitzer-Mauduit International, Inc. , Schweitzer-Mauduit France S.A.R.L and a group of lenders | |
| EX 15 | Letter from Deloitte & Touch LLP regarding unaudited interim financial information | |
| 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)

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| | Three Months Ended June 30, 2006 | June 30, 2005 | Six Months Ended June 30, 2006 | June 30, 2005 |
|---|--|------------------|--------------------------------------|------------------|
| Net Sales | \$ 162.1 | \$ 168.2 | \$ 327.5 | \$ 328.8 |
| Cost of products sold | 139.9 | 142.0 | 280.7 | 278.5 |
| Gross Profit | 22.2 | 26.2 | 46.8 | 50.3 |
| Selling expense | 5.9 | 6.1 | 11.5 | 12.3 |
| Research expense | 1.9 | 2.5 | 3.7 | 5.0 |
| General expense | 6.8 | 6.9 | 14.5 | 12.7 |
| Total nonmanufacturing expenses | 14.6 | 15.5 | 29.7 | 30.0 |
| Restructuring expense (see Note 4) | 3.4 | | 3.9 | |
| Operating Profit | 4.2 | 10.7 | 13.2 | 20.3 |
| Interest expense | 1.4 | 1.5 | 2.8 | 2.8 |
| Other (expense) income, net | (0.6) | 0.9 | (0.6) | 1.5 |
| Income Before Income Taxes, Minority Interest and Loss from Equity Affiliates | 2.2 | 10.1 | 9.8 | 19.0 |
| Provision for income taxes | 0.4 | 2.9 | 2.4 | 5.5 |
| Minority interest in earnings of subsidiaries | 1.0 | 1.4 | 2.0 | 2.7 |
| Loss from equity affiliates | 0.1 | | 0.1 | |
| Net Income | \$ 0.7 | \$ 5.8 | \$ 5.3 | \$ 10.8 |
| Net Income Per Share | | | | |
| Basic | \$ 0.04 | \$ 0.39 | \$ 0.34 | \$ 0.72 |
| Diluted | \$ 0.04 | \$ 0.38 | \$ 0.34 | \$ 0.70 |
| Cash Dividends Declared Per Share | \$ 0.15 | \$ 0.15 | \$ 0.30 | \$ 0.30 |
| Weighted Average Shares Outstanding | | | | |
| Basic | 15,399,600 | 15,156,200 | 15,377,100 | 15,083,600 |
| Diluted | 15,528,000 | 15,499,000 | 15,529,200 | 15,501,700 |

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, 2006 (Unaudited) | December 31, 2005 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2.7 | \$ 5.1 |
| Accounts receivable | 93.1 | 99.8 |
| Inventories | 127.3 | 123.0 |
| Other current assets | 15.2 | 14.8 |
| Total Current Assets | 238.3 | 242.7 |
| Property, Plant and Equipment, net | 418.6 | 414.0 |
| Other Assets | 37.1 | 34.1 |
| Total Assets | \$ 694.0 | \$ 690.8 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities | | |
| Current debt | \$ 27.3 | \$ 30.0 |
| Accounts payable | 54.4 | 64.3 |
| Accrued expenses | 73.7 | 71.7 |
| Current deferred revenue | 6.0 | 6.0 |
| Total Current Liabilities | 161.4 | 172.0 |
| Long-Term Debt | 79.4 | 83.7 |
| Deferred Income Tax Liabilities | 38.8 | 40.2 |
| Pension and Other Postretirement Benefits | 37.4 | 38.1 |
| Deferred Revenue | 26.7 | 30.0 |
| Other Liabilities | 20.9 | 20.1 |
| Minority Interest | 17.1 | 13.8 |
| Total Liabilities | 381.7 | 397.9 |
| 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; 16,078,733 shares issued; 15,441,163 and 15,307,756 shares outstanding at June 30, 2006 and December 31, 2005, respectively | 1.6 | 1.6 |
| Additional paid-in-capital | 63.3 | 63.8 |
| Common stock in treasury, at cost, 637,570 and 770,977 shares at June 30, 2006 and December 31, 2005, respectively | (12.9) | (15.6) |
| Retained earnings | 282.4 | 281.8 |
| Unearned compensation on restricted stock | | (0.3) |
| Accumulated other comprehensive loss, net of tax | (22.1) | (38.4) |
| Total Stockholders Equity | 312.3 | 292.9 |
| Total Liabilities and Stockholders Equity | \$ 694.0 | \$ 690.8 |

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 | Additional Paid-In | Treasury Stock | Retained | Unearned | Accumulated Other Comprehensive |
|----------------------------|-------------------------------|-----------------------|-----------------|-----------------|--|
|----------------------------|-------------------------------|-----------------------|-----------------|-----------------|--|