

APTARGROUP INC  
Form 10-Q  
November 02, 2011  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549-1004

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

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COMMISSION FILE NUMBER 1-11846

**AptarGroup, Inc.**

DELAWARE  
(State of Incorporation)

36-3853103  
(I.R.S. Employer Identification No.)

475 WEST TERRA COTTA AVENUE, SUITE E, CRYSTAL LAKE, ILLINOIS 60014

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815-477-0424

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  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 27, 2011
Common Stock, \$.01 par value per share	66,070,238 shares

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AptarGroup, Inc.

**Form 10-Q**

Quarter Ended September 30, 2011

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## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Net Sales</b>	\$ 601,196	\$ 517,537	\$ 1,792,643	\$ 1,545,929
<b>Operating Expenses:</b>				
Cost of sales (exclusive of depreciation and amortization shown below)	406,768	342,539	1,198,919	1,018,870
Selling, research & development and administrative	86,716	71,105	267,485	221,014
Depreciation and amortization	33,505	32,403	102,024	98,877
Facilities consolidation and severance		381		381
	526,989	446,428	1,568,428	1,339,142
<b>Operating Income</b>	<b>74,207</b>	<b>71,109</b>	<b>224,215</b>	<b>206,787</b>
<b>Other Income (Expense):</b>				
Interest expense	(4,141)	(3,477)	(13,368)	(10,580)
Interest income	1,626	774	4,722	2,048
Equity in results of affiliates	126		126	
Miscellaneous, net	(580)	(260)	(1,286)	(2,401)
	(2,969)	(2,963)	(9,806)	(10,933)
<b>Income before Income Taxes</b>	<b>71,238</b>	<b>68,146</b>	<b>214,409</b>	<b>195,854</b>
<b>Provision for Income Taxes</b>	<b>21,995</b>	<b>21,125</b>	<b>69,411</b>	<b>62,979</b>
<b>Net Income</b>	<b>\$ 49,243</b>	<b>\$ 47,021</b>	<b>\$ 144,998</b>	<b>\$ 132,875</b>
<b>Net Loss (Income) Attributable to Noncontrolling Interests</b>	<b>\$ 54</b>	<b>\$ (38)</b>	<b>\$ 65</b>	<b>\$ (175)</b>
<b>Net Income Attributable to AptarGroup, Inc.</b>	<b>\$ 49,297</b>	<b>\$ 46,983</b>	<b>\$ 145,063</b>	<b>\$ 132,700</b>
<b>Net Income Attributable to AptarGroup, Inc. Per Common Share:</b>				
Basic	\$ 0.74	\$ 0.70	\$ 2.17	\$ 1.97
Diluted	\$ 0.72	\$ 0.68	\$ 2.08	\$ 1.90

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<b>Average Number of Shares</b>							
<b>Outstanding:</b>							
Basic		<b>66,381</b>		67,213		<b>66,747</b>	67,471
Diluted		<b>68,677</b>		69,374		<b>69,616</b>	69,921
<b>Dividends per Common Share</b>	<b>\$</b>	<b>0.22</b>	<b>\$</b>	<b>0.18</b>	<b>\$</b>	<b>0.58</b>	<b>\$</b> 0.48

See accompanying unaudited notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

	September 30, 2011	December 31, 2010
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and equivalents	\$ 371,429	\$ 376,427
Accounts and notes receivable, less allowance for doubtful accounts of \$8,658 in 2011 and \$8,560 in 2010	400,451	357,110
Inventories, net	297,430	272,255
Prepaid and other	87,170	58,191
	<b>1,156,480</b>	<b>1,063,983</b>
<b>Property, Plant and Equipment:</b>		
Buildings and improvements	338,479	316,415
Machinery and equipment	1,699,222	1,621,475
	<b>2,037,701</b>	<b>1,937,890</b>
Less: Accumulated depreciation	(1,310,456)	(1,231,557)
	<b>727,245</b>	<b>706,333</b>
Land	20,912	18,651
	<b>748,157</b>	<b>724,984</b>
<b>Other Assets:</b>		
Investments in affiliates	978	853
Goodwill	227,702	227,029
Intangible assets, net	3,387	5,242
Miscellaneous	9,657	10,627
	<b>241,724</b>	<b>243,751</b>
<b>Total Assets</b>	<b>\$ 2,146,361</b>	<b>\$ 2,032,718</b>

See accompanying unaudited notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

	September 30, 2011	December 31, 2010
<b>Liabilities and Stockholders Equity</b>		
<b>Current Liabilities:</b>		
Notes payable	\$ 142,348	\$ 45,440
Current maturities of long-term obligations	3,472	50,126
Accounts payable and accrued liabilities	344,938	327,756
	<b>490,758</b>	<b>423,322</b>
<b>Long-Term Obligations</b>	<b>255,801</b>	<b>258,773</b>
<b>Deferred Liabilities and Other:</b>		
Deferred income taxes	19,665	22,134
Retirement and deferred compensation plans	34,425	39,362
Deferred and other non-current liabilities	9,206	9,353
Commitments and contingencies		
	<b>63,296</b>	<b>70,849</b>
<b>Stockholders Equity:</b>		
AptarGroup, Inc. stockholders equity		
Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding		
Common stock, \$.01 par value, 199 million shares authorized; 82.5 and 81.8 million shares issued as of September 30, 2011 and December 31, 2010, respectively	825	817
Capital in excess of par value	352,416	318,346
Retained earnings	1,385,307	1,279,013
Accumulated other comprehensive income	119,771	123,766
Less treasury stock at cost, 16.5 and 15.0 million shares as of September 30, 2011 and December 31, 2010, respectively	(522,590)	(443,019)
Total AptarGroup, Inc. Stockholders Equity	<b>1,335,729</b>	<b>1,278,923</b>
Noncontrolling interests in subsidiaries	777	851
<b>Total Stockholders Equity</b>	<b>1,336,506</b>	<b>1,279,774</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 2,146,361</b>	<b>\$ 2,032,718</b>

See accompanying unaudited notes to condensed consolidated financial statements.

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**AptarGroup, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands, except per share amounts

	AptarGroup, Inc. Stockholders Equity							
	Comprehensive	Retained	AptarGroup, Inc. Accumulated Other Comprehensive	Common	Treasury	Capital in	Non-	Total
	Income	Earnings	Income/(Loss)	Stock	Stock	Excess of	Controlling	Equity
				Par Value		Par Value	Interest	
<b>Balance December 31, 2009:</b>		\$ 1,150,017	\$ 186,099	\$ 806	\$ (356,548)	\$ 272,471	\$ 791	\$ 1,253,636
Net income	132,875	132,700					175	132,875
Foreign currency translation adjustments	(42,379)		(42,391)				12	(42,379)
Changes in unrecognized pension gains/losses and related amortization, net of tax	575		575					575
Changes in treasury locks, net of tax	62		62					62
Net gain on Derivatives, net of tax	1		1					1
Comprehensive income	\$ 91,134							
Stock option exercises & restricted stock vestings				8		37,228		37,236
Cash dividends declared on common stock		(32,412)						(32,412)
Treasury stock purchased					(58,785)			(58,785)
<b>Balance September 30, 2010:</b>		\$ 1,250,305	\$ 144,346	\$ 814	\$ (415,333)	\$ 309,699	\$ 978	\$ 1,290,809
<b>Balance December 31, 2010:</b>		\$ 1,279,013	\$ 123,766	\$ 817	\$ (443,019)	\$ 318,346	\$ 851	\$ 1,279,774
Net income (loss)	144,998	145,063					(65)	144,998
Foreign currency translation adjustments	(5,256)		(5,274)				18	(5,256)
Changes in unrecognized pension gains/losses and related amortization, net of tax	1,213		1,213					1,213



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Changes in treasury locks, net of tax	65		65						65
Net gain on Derivatives, net of tax	1		1						1
Comprehensive income	\$ 141,021								
Stock option exercises & restricted stock vestings			8	69	34,070				34,147
Cash dividends declared on common stock		(38,769)							(38,769)
Non-Controlling interest distribution							(27)		(27)
Treasury stock purchased					(79,640)				(79,640)
<b>Balance September 30, 2011:</b>	<b>\$ 1,385,307</b>	<b>\$ 119,771</b>	<b>\$ 825</b>	<b>\$ (522,590)</b>	<b>\$ 352,416</b>	<b>\$ 777</b>	<b>\$ 1,336,506</b>		

See accompanying unaudited notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

<b>Cash Flows from Operating Activities:</b>			
Net income		\$ 144,998	\$ 132,875
<b>Adjustments to reconcile net income to net cash provided by operations:</b>			
Depreciation		100,099	96,237
Amortization		1,925	2,640
Stock option based compensation		12,160	9,818
Provision for bad debts		1,188	333
Deferred income taxes		(4,710)	(6,432)
Facilities consolidation and severance			381
Retirement and deferred compensation plan expense		8,126	8,134
Changes in balance sheet items, excluding effects from foreign currency adjustments:			
Accounts receivable		(19,655)	(57,571)
Inventories		(29,230)	(42,910)
Prepaid and other current assets		(31,111)	(10,851)
Accounts payable and accrued liabilities		15,252	51,518
Income taxes payable		(3,747)	15,294
Retirement and deferred compensation plans		(13,770)	(8,780)
Other changes, net		3,250	(4,227)
<b>Net Cash Provided by Operations</b>		<b>184,775</b>	<b>186,459</b>
<b>Cash Flows from Investing Activities:</b>			
Capital expenditures		(126,710)	(87,043)
Disposition of property and equipment		1,656	1,062
Intangible assets acquired		129	(77)
Acquisition of businesses, net of cash acquired			(3,014)
Notes receivable, net		48	
<b>Net Cash Used by Investing Activities</b>		<b>(124,877)</b>	<b>(89,072)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from notes payable		97,360	7,047
Proceeds from long-term obligations			1,789
Repayments of long-term obligations		(49,342)	(25,885)
Dividends paid		(38,769)	(32,412)
Proceeds from stock options exercises		17,098	23,590
Purchase of treasury stock		(79,640)	(58,785)
Excess tax benefit from exercise of stock options		4,564	3,532
<b>Net Cash Used by Financing Activities</b>		<b>(48,729)</b>	<b>(81,124)</b>
<b>Effect of Exchange Rate Changes on Cash</b>		<b>(16,167)</b>	<b>(21,002)</b>
<b>Net Decrease in Cash and Equivalents</b>		<b>(4,998)</b>	<b>(4,739)</b>
<b>Cash and Equivalents at Beginning of Period</b>		<b>376,427</b>	<b>332,964</b>
<b>Cash and Equivalents at End of Period</b>		<b>\$ 371,429</b>	<b>\$ 328,225</b>

See accompanying unaudited notes to condensed consolidated financial statements.



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**AptarGroup, Inc.**

Notes to Condensed Consolidated Financial Statements

(Amounts in Thousands, Except per Share Amounts, or Otherwise Indicated)

(Unaudited)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements include the accounts of AptarGroup, Inc. and its subsidiaries. The terms AptarGroup or Company as used herein refer to AptarGroup, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of consolidated financial position, results of operations, changes in equity and cash flows for the interim periods presented. The accompanying unaudited condensed consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Accordingly, these unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

As previously discussed in the AptarGroup Form 10-Q for the quarterly period ended March 31, 2011, the Company revised certain foreign currency cash flow effects that should not have been reported within cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows. Accordingly, the Company changed the classification of these foreign currency effects to appropriately reflect such amounts within effect of exchange rate changes on cash within the Condensed Consolidated Statements of Cash Flows and has revised our Statement of Cash Flows for the nine months ended September 30, 2010 presented herein.

Effective at the beginning of fiscal year 2011, AptarGroup s new organizational structure consists of three market-focused lines of business which are Beauty + Home, Pharma and Food + Beverage. This new structure is a strategic step to become more closely aligned with our customers and the markets in which they operate. Prior period information has been conformed to the new reporting structure.

**ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS**

Changes to GAAP are established by the Financial Accounting Standards Board ( FASB ) in the form of accounting standards updates to the FASB s Accounting Standards Codification.

In October 2009, the FASB issued an update to existing guidance on revenue recognition for arrangements with multiple deliverables. This update allowed companies to allocate consideration received for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. Additional disclosures discussing the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices are required. The standard is effective for fiscal years beginning on or after June 15, 2010. The adoption of this standard had no impact on the Consolidated Financial Statements.

**INCOME TAXES**

The Company computes taxes on income in accordance with the tax rules and regulations of the many taxing authorities where the income is earned. The income tax rates imposed by these taxing authorities may vary substantially. Taxable income may differ from pretax income for financial accounting purposes. To the extent that these differences create differences between the tax basis of an asset or liability and its reported amount in the financial statements, an appropriate provision for deferred income taxes is made.

In its determination of which foreign earnings are permanently reinvested in foreign operations, the Company considers numerous factors, including the financial requirements of the U.S. parent company and those of its foreign subsidiaries, the U.S. funding needs for dividend payments and stock repurchases, and the tax consequences of remitting earnings to the U.S. From this analysis, current year repatriation decisions are made in an attempt to provide a proper mix of debt and shareholder capital both within the U.S. and for non-U.S. operations. The Company's policy is to permanently reinvest its accumulated foreign earnings and only will make a distribution out of current year earnings to meet the cash needs at the parent company. As such, the Company does not provide for taxes on earnings that are deemed to be permanently reinvested. The effective tax rate for 2011 includes the estimated tax cost of repatriating \$82 million of current year earnings, which was repatriated in the second quarter of 2011.

The Company provides a liability for the amount of tax benefits realized from uncertain tax positions. This liability is provided whenever the Company determines that a tax benefit will not meet a more-likely-than-not threshold for recognition. See Note 12 for more information.

NOTE 2 - INVENTORIES

At September 30, 2011 and December 31, 2010, approximately 19% and 20%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component and net of reserves, consisted of:

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	September 30, 2011	December 31, 2010
Raw materials	\$ 115,774	\$ 106,870
Work in progress	77,208	67,591
Finished goods	110,448	102,423
Total	303,430	276,884
Less LIFO Reserve	(6,000)	(4,629)
Total	\$ 297,430	\$ 272,255

NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS

As previously discussed in Note 1, we have changed our segments to align with our new organization structure. Upon this change, we reassigned our goodwill based on relative fair value to our reporting units. This reassignment is reflected in the below table in our gross opening goodwill balance.

The changes in the carrying amount of goodwill since the year ended December 31, 2010 are as follows by reporting segment:

	Beauty + Home	Pharma	Food + Beverage	Corporate and Other	Total
Goodwill	\$ 171,515	\$ 37,678	\$ 17,836	\$ 1,615	\$ 228,644
Accumulated impairment losses				(1,615)	(1,615)
Balance as of December 31, 2010	\$ 171,515	\$ 37,678	\$ 17,836	\$	\$ 227,029
Foreign currency exchange effects	172	505	(4)		673
Goodwill	\$ 171,687	\$ 38,183	\$ 17,832	\$ 1,615	\$ 229,317
Accumulated impairment losses				(1,615)	(1,615)
Balance as of September 30, 2011	\$ 171,687	\$ 38,183			