

AMERICAN BILTRITE INC
Form 10-Q
November 10, 2011

FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 2011 Commission File Number 1-4773

AMERICAN BILTRITE INC.

(Exact name of registrant as specified in its charter)

Delaware 04-1701350
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

57 River Street

Wellesley Hills, Massachusetts 02481-2097

(Address of Principal Executive Offices)

(781) 237-6655

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year if changed since last report)

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 (§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.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)
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 November 10, 2011
Common Stock	3,447,142 shares

FORWARD LOOKING STATEMENTS

Some of the information presented in or incorporated by reference in this report constitutes “forward-looking statements,” within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks, uncertainties and assumptions. These forward-looking statements are based on American Biltrite Inc.’s expectations as of the date of this report, of future events. American Biltrite Inc. undertakes no obligation to update any of these forward looking statements, except as may be required by the federal securities laws. Although American Biltrite Inc. believes that these expectations are based on reasonable assumptions, within the bounds of its knowledge of its business and experience, there can be no assurance that actual results will not differ materially from expectations. Any or all of these expectations may turn out to be incorrect and any forward-looking statements made in this report speak only as of the date of this report unless the statement indicates that another date applies. Readers are cautioned not to place undue reliance on any forward-looking statements. Actual results could differ significantly as a result of various factors. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. It is not possible to predict or identify all factors that could potentially cause actual results to differ materially from expected and historical results. Factors that could cause or contribute to American Biltrite Inc.’s actual results differing from its expectations include those factors discussed in Item 1A of Part II of this Quarterly Report on Form 10-Q and in American Biltrite Inc.’s other filings with the Securities and Exchange Commission, including American Biltrite Inc.’s Annual Report on Form 10-K for the year ended December 31, 2010.

AMERICAN BILTRITE INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS – ASSETS

(In thousands of dollars)

	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 587	\$ 867
Short-term investments	2,400	2,400
Accounts receivable, net	26,161	21,887
Inventories	43,918	38,606
Taxes receivable	1,181	631
Prepaid expense & other current assets	3,099	2,502
Total current assets	77,346	66,893
Property, plant & equipment, net	28,568	29,891
Other assets:		
Insurance for asbestos-related liabilities	17,646	17,646
Other assets	9,451	8,800
	27,097	26,446
Total assets	\$ 133,011	\$ 123,230

See accompanying notes to consolidated condensed financial statements

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS –

LIABILITIES AND STOCKHOLDERS' EQUITY

(In thousands of dollars)

	September 30, 2011 (Unaudited)	December 31, 2010
Liabilities		
Current liabilities:		
Accounts payable	\$ 11,881	\$8,829
Accrued expenses	15,511	16,864
Notes payable	15,895	4,639
Current portion of long-term debt	1,496	1,487
Total current liabilities	44,783	31,819
Long-term debt, less current portion	4,609	5,851
Asbestos-related liabilities	17,700	17,700
Other liabilities	15,840	16,771
Total liabilities	82,932	72,141
Stockholders' equity		
Common stock	46	46
Additional paid-in capital	20,075	20,148
Less cost of shares in treasury	(14,958)	(15,133)
Retained earnings	46,818	46,769
Accumulated other comprehensive loss	(2,845)	(1,683)
Total stockholders' equity of controlling interests	49,136	50,147
Noncontrolling interests	943	942
Total stockholders' equity	50,079	51,089
Total liabilities and stockholders' equity	\$ 133,011	\$ 123,230

See accompanying notes to consolidated condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

For the Three and Nine Months Ended September 30, 2011 and 2010

(In thousands of dollars, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	\$52,524	\$53,758	\$157,638	\$150,549
Cost of products sold	40,165	39,722	120,614	110,559
Selling, general & administrative expenses	12,234	12,241	37,614	36,964
Income (loss) from operations	125	1,795	(590)	3,026
Other (expense) income				
Interest expense, net	(237)	(219)	(584)	(681)
Other (expense) income	(454)	1,189	649	645
	(691)	970	65	(36)
(Loss) income before income taxes and other items	(566)	2,765	(525)	2,990
(Benefit from) provision for income taxes	(650)	715	(575)	930
Net income	84	2,050	50	2,060
Noncontrolling interests	(1)	(7)	(1)	(59)
Net income from continuing operations of controlling interests	83	2,043	49	2,001
Net income of discontinued operation, net of noncontrolling interests	—	53,565	—	52,938
Net income attributable to controlling interests	\$83	\$55,608	\$49	\$54,939
Earnings per share attributable to controlling interests				
Basic				
Continuing operations	\$0.02	\$0.59	\$0.01	\$0.58
Discontinued operation	—	15.57	—	15.38
	\$0.02	\$16.16	\$0.01	\$15.96
Diluted				
Continuing operations	\$0.02	\$0.59	\$0.01	\$0.58
Discontinued operation	—	15.54	—	15.37
	\$0.02	\$16.13	\$0.01	\$15.95
Weighted average shares outstanding				
Basic	3,447,142	3,441,369	3,443,971	3,441,455
Diluted	3,483,268	3,446,871	3,473,052	3,445,151

See accompanying notes to consolidated condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands of dollars)

	Nine Months Ended September 30,	
	2011	2010
Operating activities		
Net income	\$50	\$54,998
Net income of discontinued operation, net of noncontrolling interests	—	(52,938)
Net income from continuing operations	50	2,060
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	3,279	3,375
Stock compensation expense	123	149
Change in operating assets and liabilities:		
Accounts and notes receivable	(4,543)	(7,615)
Inventories	(6,093)	(9,317)
Prepaid expenses and other assets	(614)	(369)
Accounts payable and accrued expenses	759	9,303
Insurance proceeds for property loss claim	—	1,720
Other	(1,454)	(163)
Net cash used by operating activities	(8,493)	(857)
Investing activities		
Investments in property, plant and equipment	(1,905)	(938)
Purchase of short-term investments	(4,800)	(4,800)
Proceeds from sale of short-term investments	4,800	4,800
Net cash used by investing activities	(1,905)	(938)
Financing activities		
Net short-term borrowings	11,429	2,649
Payments on long-term debt	(1,233)	(1,021)
Proceeds from exercise of employee stock options	2	—
Purchase of treasury stock	—	(1)
Net cash provided by financing activities	10,198	1,627
Effect of foreign exchange rate changes on cash	(80)	79
Net decrease in cash	(280)	(89)
Cash and cash equivalents at beginning of period	867	402
Cash and cash equivalents of continuing operations at end of period	\$587	\$313

See accompanying notes to consolidated condensed financial statements.

AMERICAN BILTRITE INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

Note A – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements which include the accounts of American Biltrite Inc. and its wholly owned subsidiaries as well as entities over which it has voting control (referred to herein as “ABI”, “American Biltrite” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for future periods, including the year ending December 31, 2011. For further information, refer to the consolidated financial statements and the notes to those financial statements included in American Biltrite Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010.

The consolidated condensed balance sheet at December 31, 2010 has been derived from the audited financial statements as of that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements.

The Company’s former subsidiary Congoleum Corporation (“Congoleum”) filed a voluntary petition on December 31, 2003, with the United States Bankruptcy Court for the District of New Jersey (the “Bankruptcy Court”) seeking relief under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) as a means to resolve claims asserted against it related to the use of asbestos in its products decades ago, and on August 17, 2009, the United States District Court for the District of New Jersey (the “District Court”) withdrew the reference of Congoleum’s Chapter 11 case from the Bankruptcy Court and assumed authority over the proceedings. Congoleum’s plan of reorganization was confirmed by the District Court on June 7, 2010 and became effective July 1, 2010. Upon effectiveness of Congoleum’s plan of reorganization, ABI’s ownership interests in Congoleum were cancelled. Consequently, the results of reorganized Congoleum are not included in the consolidated results of the Company subsequent to June 30, 2010. In the accompanying unaudited consolidated condensed financial statements, the historical results of Congoleum have been reported as a discontinued operation.

Note B – Inventories

Inventories at September 30, 2011 and December 31, 2010 consisted of the following (*in thousands*):

	September 30, 2011	December 31, 2010
Finished goods	\$ 23,076	\$ 19,202
Consigned inventory	4,543	5,058
Work-in-process	9,064	8,416
Raw materials and supplies		