

SCHWEITZER MAUDUIT INTERNATIONAL INC  
Form 10-Q  
November 03, 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 September 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)

---

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

Edgar Filing: SCHWEITZER MAUDUIT INTERNATIONAL INC - Form 10-Q

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, 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

There were 18,019,049 shares of common stock, par value \$0.10 per share, of the registrant outstanding as of October 29, 2010.

---

---

---

## TABLE OF CONTENTS

		Page
Part I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	1
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	31
Item 4.	Controls and Procedures	31
Part II	OTHER INFORMATION	
Item 1.	Legal Proceedings	32
Item 1A.	Risk Factors	33
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3.	Defaults Upon Senior Securities	33
Item 5.	Other Information	33
Item 6.	Exhibits	33
	SIGNATURES	34

## GLOSSARY OF TERMS

## INDEX TO EXHIBITS

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		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2010	2009	2010	2009
Net Sales	\$ 182.0	\$ 182.0	\$ 557.4	\$ 531.7
Cost of products sold	132.5	127.0	409.1	388.9
Gross Profit	49.5	55.0	148.3	142.8
Selling expense	4.5	4.3	14.3	14.0
Research expense	2.1	1.9	6.2	5.9
General expense	11.5	11.0	33.9	33.3
Total nonmanufacturing expenses	18.1	17.2	54.4	53.2
Restructuring and impairment expense	0.7	18.5	7.2	19.6
Operating Profit	30.7	19.3	86.7	70.0
Interest expense	0.4	0.8	1.4	3.7
Other income (expense), net	0.8	0.1	(0.5)	(0.3)
Income from Continuing Operations before Income Taxes and Income (Loss) from Equity Affiliates	31.1	18.6	84.8	66.0
Provision for income taxes	10.7	6.5	30.1	20.5
Income (loss) from equity affiliates	0.8	1.0	2.1	(1.4)
Income from Continuing Operations	21.2	13.1	56.8	\$ 44.1
Loss from Discontinued Operations	(3.0)	(8.6)	(5.2)	(19.2)
Net Income	\$ 18.2	\$ 4.5	\$ 51.6	\$ 24.9
Net Income per Share - Basic:				
Income per share from continuing operations	\$ 1.16	\$ 0.85	\$ 3.12	\$ 2.87
Loss per share from discontinued operations	(0.16)	(0.56)	(0.28)	(1.25)
Net income per share – basic	\$ 1.00	\$ 0.29	\$ 2.84	\$ 1.62
Net Income per Share – Diluted:				
Income per share from continuing operations	\$ 1.14	\$ 0.80	\$ 3.06	\$ 2.81
Loss per share from discontinued operations	(0.16)	(0.53)	(0.28)	(1.22)
Net income per share – diluted	\$ 0.98	\$ 0.27	\$ 2.78	\$ 1.59

Edgar Filing: SCHWEITZER MAUDUIT INTERNATIONAL INC - Form 10-Q

Cash Dividends Declared Per Share	\$	0.15	\$	0.15	\$	0.45	\$	0.45
Weighted Average Shares Outstanding:								
Basic		17,641,000		15,313,000		17,755,100		15,196,500
Diluted		18,007,200		15,906,900		18,101,900		15,502,400

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)

	September 30, 2010 (Unaudited)	December 31, 2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 80.7	\$ 56.9
Accounts receivable	97.7	85.8
Inventories	107.2	127.3
Income taxes receivable	4.3	23.4
Other current assets	13.2	6.3
<b>Total Current Assets</b>	<b>303.1</b>	<b>299.7</b>
Property, Plant and Equipment, net	407.7	401.1
Deferred Income Tax Benefits	11.6	17.3
Investment in Equity Affiliates	19.1	16.6
Goodwill and Intangible Assets	12.2	14.1
Other Assets	56.8	43.1
<b>Total Assets</b>	<b>\$ 810.5</b>	<b>\$ 791.9</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Current debt	\$ 8.6	\$ 17.7
Accounts payable	50.4	46.7
Accrued expenses	99.0	115.5
Current deferred revenue	6.0	6.0
<b>Total Current Liabilities</b>	<b>164.0</b>	<b>185.9</b>
Long-Term Debt	44.0	42.4
Pension and Other Postretirement Benefits	36.5	38.4
Deferred Income Tax Liabilities	27.3	14.2
Deferred Revenue	1.2	7.2
Other Liabilities	20.5	21.6
<b>Total Liabilities</b>	<b>293.5</b>	<b>309.7</b>
<b>Stockholders' Equity:</b>		
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; 18,699,140 and 18,633,235 shares issued at September 30, 2010 and December 31, 2009, respectively; 18,005,569 and 17,874,885 shares outstanding at September 30, 2010 and December 31, 2009, respectively	1.9	1.9
Additional paid-in-capital	205.7	205.7

Common stock in treasury, at cost, 693,571 and 758,350 shares at September 30, 2010 and December 31, 2009, respectively	(24.4)	(14.0)
Retained earnings	325.4	281.9
Accumulated other comprehensive income, net of tax	8.4	6.7
<b>Total Stockholders' Equity</b>	<b>517.0</b>	<b>482.2</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 810.5</b>	<b>\$ 791.9</b>

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 Comprehensive			Total
	Shares	Amount	Additional Paid-In Capital	Shares	Amount	Retained Earnings	Income (Loss)		
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 nine months ended September 30, 2009						24.9		24.9	
Adjustments to unrealized foreign currency translation, net of tax							25.1	25.1	
Changes in fair value of derivative instruments, net of tax							6.7	6.7	
Amortization of postretirement benefit plans' costs, net of tax							1.9	1.9	
Comprehensive income, net of tax								58.6	
Dividends declared (\$0.45 per share)						(6.9)		(6.9)	
Restricted stock issuances, net			(0.3)	(13,500)	0.3			—	
Stock-based employee compensation expense			5.3					5.3	
Tax effect of stock-based employee compensation expense			1.0					1.0	
Stock issued to directors as compensation	242	—	—	(3,306)	—			—	
Issuance of shares for options exercised	304,768	—	8.3	(30,750)	0.6			8.9	
Purchases of treasury stock	—	—	—	56,953	(0.8)			(0.8)	
Balance, September 30, 2009	16,383,743	\$ 1.6	\$ 78.9	758,350	\$ (14.0)	\$ 273.9	\$ 3.1	\$ 343.5	
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 nine months ended September 30, 2010						51.6		51.6	



Adjustments to unrealized  
foreign currency translation,  
net of tax