MINERALS TECHNOLOGIES INC
Form 10-Q
April 27, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2012

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-11430
--
MINERALS TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

DELAWARE	25-1190717
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

622 Third Avenue, New York, New York 10017-6707
(Address of principal executive offices, including zip code)

(212) 878-1800
(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 X 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 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.

Non- accelerated Filer [ ]

Large Accelerated Filer [X]	Accelerated Filer [ ]	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

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 April 13, 2012
Common Stock, $0.10 par value	17,748,531

Table of Contents

MINERALS TECHNOLOGIES INC.

INDEX TO FORM 10-Q

Table of Contents

PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(thousands, except per share data)	Three Months Ended April 1, 2012	April 3, 2011
Net sales	$ 257,138	$ 262,520
Cost of goods sold	202,201	209,578
Production margin	54,937	52,942
Marketing and administrative expenses	22,898	23,129
Research and development expenses	5,047	4,869
Restructuring and other costs	0	230
Income from operations	26,992	24,714
Non-operating deductions, net	(598)	(837)
Income from continuing operations before provision for taxes	26,394	23,877
Provision for taxes on income	7,786	7,187
Consolidated net income	18,608	16,690
Less: Net income attributable to non-controlling interests	576	909
Net income attributable to Minerals Technologies Inc. (MTI)	$ 18,032	$ 15,781
Earnings per share:		
Basic	$ 1.02	$ 0.86
Diluted	$ 1.01	$ 0.86
Cash dividends declared per common share	$ 0.05	$ 0.05
Shares used in computation of earnings per share:		
Basic	17,718	18,276
Diluted	17,800	18,415

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(thousands of dollars)	Three Months Ended April 1, 2012	April 3, 2011
Consolidated net income	$ 18,608	$ 16,690
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	9,099	16,992
Pension and postretirement plan adjustments	1,821	1,059
Cash flow hedges:		
Net derivative losses arising during the period	(534)	(942)
Comprehensive income	28,994	33,799
Comprehensive income attributable to non-controlling interest	(943)	(1,803)
Comprehensive income attributable to MTI	$ 28,051	$ 31,996

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(thousands of dollars)	April 1, 2012*	December 31, 2011**
Current assets:		
Cash and cash equivalents	$ 415,005	$ 395,152
Short-term investments, at cost which approximates market	20,302	18,494
Accounts receivable, net	198,131	194,317
Inventories	89,556	90,760
Prepaid expenses and other current assets	20,531	21,566
Total current assets	743,525	720,289
Property, plant and equipment, less accumulated depreciation and depletion – April 1, 2012- $948,112; December 31, 2011 - $930,515	316,644	318,134
Goodwill	65,788	64,671
Other assets and deferred charges	60,794	61,861
Total assets	$ 1,186,751	$ 1,164,955

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt	$ 5,494	$ 5,846
Current maturities of long-term debt	8,555	8,552
Accounts payable	106,979	103,354
Restructuring liabilities	801	1,411
Other current liabilities	52,650	61,739
Total current liabilities	174,479	180,902
Long-term debt	85,455	85,449
Accrued Pension and Post-Retirement Benefits	98,598	97,318
Other non-current liabilities	30,389	33,266
Total liabilities	388,921	396,935
Shareholders' equity:		
Common stock	2,923	2,913
Additional paid-in capital	337,013	335,134

Retained earnings	980,275	963,130
Accumulated other comprehensive loss	(35,312)	(45,331)
Less common stock held in treasury	(514,234)	(514,234)
Total MTI shareholders' equity	770,665	741,612
Non-controlling interest	27,165	26,408
Total shareholders' equity	797,830	768,020
Total liabilities and shareholders' equity	$ 1,186,751	$ 1,164,955

* Unaudited
** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

5

Table of Contents

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(thousands of dollars)	Three Months Ended April 1, 2012	April 3, 2011
Operating Activities:		
Consolidated net income	$ 18,608	$ 16,690
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	13,026	14,688
Payments relating to restructuring activities	(620)	(833)
Other non-cash items	1,874	1,653
Net changes in operating assets and liabilities	(8,168)	(13,136)
Net cash provided by operating activities	24,720	19,062
Investing Activities:		
Purchases of property, plant and equipment	(9,354)	(8,205)
Proceeds from sale of short-term investments	1,484	2,764
Purchases of short-term investments	(2,583)	(4,336)
Net cash used in investing activities	(10,453)	(9,777)
Financing Activities:		
Proceeds from issuance of long-term debt	--	1,596
Net issuance (repayment) of short-term debt	(593)	80
Purchase of common shares for treasury	--	(9,793)
Proceeds from issuance of stock under option plan	2,084	3,902
Cash dividends paid	(887)	(914)

Net cash provided by (used in) financing activities	604	(5,129)
Effect of exchange rate changes on cash and cash equivalents	4,982	8,821
Net increase in cash and cash equivalents	19,853	12,977
Cash and cash equivalents at beginning of period	395,152	367,827
Cash and cash equivalents at end of period	$ 415,005	$ 380,804
Supplemental disclosure of cash flow information:		
Interest paid	$ 158	$ 51
Income taxes paid	$ 10,583	$ 8,752

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month period ended April 1, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The Company employs accounting policies that are in accordance with U.S. generally accepted accounting principles and require management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates include those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income tax, income tax valuation allowances, and litigation and environmental liabilities. Actual results could differ from those estimates.

Note 3. Earnings Per Share (EPS)

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all dilutive potential common shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended	
Basic EPS (in millions, except per share data)	April 1, 2012	April 3, 2011
Net income attributable to MTI	$ 18.0	$ 15.8
Weighted average shares outstanding	17.7	18.3
Basic earnings per share attributable to MTI	$ 1.02	$ 0.86

	Three Months Ended
Diluted EPS	

(in millions, except per share data)	April 1, 2012	April 3, 2011
Net income attributable to MTI	$ 18.0	$ 15.8
Weighted average shares outstanding	17.7	18.3
Dilutive effect of stock options and stock units	0.1	0.1
Weighted average shares outstanding , adjusted	$ 17.8	$ 18.4
Diluted earnings per share attributable to MTI	$ 1.01	$ 0.86

Table of Contents

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The weighted average diluted common shares outstanding for the three-months periods ended April 1, 2012 and April 3, 2011 excludes the dilutive effect of 128,943 and 124,863 options, respectively, as such options had an exercise price in excess of the average market value of the Company's common stock during such period.

Note 4. Income Taxes

As of April 1, 2012, the Company had approximately $4.1 million of total unrecognized income tax benefits. Included in this amount were a total of $2.5 million of unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company's accounting policy is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had a net increase of approximately $0.1 million during the first three months of 2012, and had an accrued balance of $0.7 million of interest and penalties as of April 1, 2012.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to U.S. federal, state, local, and international income tax examinations by tax authorities for years prior to 2006.

Note 5. Inventories

The following is a summary of inventories by major category:

(millions of dollars)	April 1, 2012	December 31, 2011
Raw materials	$ 36.6	$ 38.5
Work-in-process	5.9	6.0
Finished goods	26.7	26.1
Packaging and supplies	20.4	20.2
Total inventories	$ 89.6	$ 90.8

Note 6. Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment, at least annually. The carrying amount of goodwill was $65.8 million and $64.7 million as of April 1, 2012 and December 31, 2011, respectively. The net change in goodwill since December 31, 2011 was attributable to the effect of foreign exchange.

Acquired intangible assets subject to amortization as of April 1, 2012 and December 31, 2011 were as follows:

April 1, 2012 December 31, 2011

(millions of dollars)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$ 6.2	3.9	6.2	4.0
Customer lists	2.7	1.4	2.7	1.5
	$ 8.9	5.3	8.9	5.5

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Estimated amortization expense is $0.6 million for each of the next five years through 2016.

Also included in other assets and deferred charges is an intangible asset of approximately $0.6 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at seven

Table of Contents

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PCC satellite facilities. The current portion of $0.5 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately $0.2 million was amortized in the first quarter of 2012. Estimated amortization as a reduction of sales is as follows: remainder of 2012 - $0.2 million; 2013 - $0.4 million; 2014 - $0.4 million; 2015 - $0.1 million.

Note 7. Restructuring Costs

2007 Restructuring Program

In the third quarter of 2007, as a result of a change in management and deteriorating financial performance, the Company conducted an in-depth review of all its operations and developed a new strategic focus. The Company initiated a plan to realign its business operations to improve profitability and increase shareholder value by exiting certain businesses and consolidating some product lines. The restructuring resulted in a total workforce reduction of approximately 250, which has been completed.

A reconciliation of the restructuring liability for this program, as of April 1, 2012, is as follows:

(millions of dollars)	Balance as of December 31, 2011	Additional Provisions	Cash Expenditures	Balance as of April 1, 2012
Contract termination costs	0.8	--	(0.3)	0.5
	$ 0.8	$ --	$ (0.3)	$ 0.5

Approximately $0.3 million in payments were made in the first quarter of 2012. The remaining restructuring liability of $0.5 million will be funded from cash flows from operations in 2012 and 2013.

2009 Restructuring Program

In the second quarter of 2009, the Company initiated a program to improve efficiencies through the consolidation of manufacturing operations and reduction of costs.

The restructuring program reduced the workforce by approximately 200 employees worldwide. This reduction in force relates to plant consolidations as well as a streamlining of the corporate and divisional management structures to operate more efficiently. This program has been completed.

A reconciliation of the restructuring liability for this program, as of April 1, 2012, is as follows:

(millions of dollars)	Balance as of December 31, 2011	Additional Provisions	Cash Expenditures	Balance as of April 1, 2012
	0.1	--	(0.1)	--

Severance and other employee benefits				
	$ 0.1	$ --	$ (0.1)	$ --

Other Restructuring

In the fourth quarter of 2011, the Company recorded restructuring charges related to the shutdown of its Anjalankoski, Finland satellite facility in connection with the announced closure of the paper mill at that location.

A reconciliation of other restructuring liabilities as of April 1, 2012, is as follows:

(millions of dollars)	Balance as of December 31, 2011	Additional Provisions	Cash Expenditures	Balance as of April 1, 2012
Severance and other employee benefits	$ 0.5	$	$ (0.2)	$ 0.3
	$ 0.5	$	$ (0.2)	$ 0.3

9

Table of Contents

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Approximately $0.2 million in payments were made in the first quarter of 2012. The remaining restructuring liability of $0.3 million will be funded from cash flows from operations in 2012.

Note 8. Long-Term Debt and Commitments

The following is a summary of long-term debt:

(millions of dollars)	April 1, 2012	December 31, 2011
5.53% Series 2006A Senior Notes		
Due October 5, 2013	$ 50.0	$ 50.0
Floating Rate Series 2006A Senior Notes		
Due October 5, 2013	25.0	25.0
Variable/Fixed Rate Industrial		
Development Revenue Bonds Due August 1, 2012	8.0	8.0
Variable/Fixed Rate Industrial		
Development Revenue Bonds Series 1999 Due November 1, 2014	8.2	8.2
Installment obligations	1.4	1.4
Other borrowings	1.4	1.4
Total	94.0	94.0
Less: Current maturities	8.5	8.6
Long-term debt		