

BEMIS CO INC
Form 10-Q
August 01, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2014

Commission File Number 1-5277

BEMIS COMPANY, INC.
(Exact name of registrant as specified in its charter)

Missouri (State or other jurisdiction of incorporation or organization)	43-0178130 (I.R.S. Employer Identification No.)
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One Neenah Center 4th Floor, P.O. Box 669 Neenah, Wisconsin (Address of principal executive offices)	54957-0669 (Zip Code)
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Registrant's telephone number, including area code: (920) 727-4100

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. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company. YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of July 30, 2014, the registrant had 99,879,476 shares of Common Stock, \$0.10 par value, issued and outstanding.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain estimates, predictions, and other “forward-looking statements” (as defined in the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended).

Forward-looking statements are generally identified with the words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “target,” “may,” “will,” “plan,” “project,” “should,” “continue,” or the negative thereof or other similar expressions, or discussion of future goals or aspirations, which are predictions of or indicate future events and trends and which do not relate to historical matters. Such statements are based on information available to management as of the time of such statements and relate to, among other things, expectations of the business environment in which we operate, projections of future performance (financial and otherwise), including those of acquired companies, perceived opportunities in the market and statements regarding our mission and vision. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Factors that could cause actual results to differ from those expected include, but are not limited to, general economic conditions caused by inflation, interest rates, consumer confidence, rates of unemployment and foreign currency exchange rates; global economic conditions, including continued uncertainties in Europe; investment performance of assets in our pension plans; competitive conditions within our markets, including the acceptance of our new and existing products; customer contract bidding activity; threats or challenges to our patented or proprietary technologies; raw materials: costs, availability, and terms (particularly for polymer resins and adhesives); price changes for raw materials and our ability to pass these price changes on to our customers or otherwise manage commodity price fluctuation risks; unexpected energy surcharges; broad changes in customer order patterns; a failure in our information technology infrastructure or applications; changes in governmental regulation, especially in the areas of environmental, health and safety matters, fiscal incentives, and foreign investment; unexpected outcomes in our current and future administrative and litigation proceedings; unexpected outcomes in our current and future tax proceedings; changes in domestic and international tax laws; costs associated with the pursuit of business combinations; unexpected costs associated with the integration of acquired businesses; unexpected costs and timing related to transition of production; changes in our labor relations; and the impact of changes in the world political environment including threatened or actual armed conflict. These and other risks, uncertainties, and assumptions identified from time to time in our filings with the Securities and Exchange Commission, including without limitation, those described in our Annual Report on Form 10-K for the year ended December 31, 2013 and our quarterly reports on Form 10-Q, could cause actual future results to differ materially from those projected in the forward-looking statements. In addition, actual future results could differ materially from those projected in the forward-looking statement as a result of changes in the assumptions used in making such forward-looking statement.

PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net sales	\$1,241.6	\$1,297.1	\$2,479.4	\$2,552.1
Cost of products sold	995.9	1,045.3	2,019.1	2,058.5
Gross profit	245.7	251.8	460.3	493.6
Operating expenses:				
Selling, general and administrative expenses	119.8	132.1	242.5	262.7
Research and development	12.6	11.7	25.7	23.0
Facility consolidation and other costs	—	20.9	—	30.2
Other operating income	(2.5)	(3.2)	(2.9)	(4.7)
Operating income	115.8	90.3	195.0	182.4
Interest expense	17.0	17.0	33.9	33.6
Other non-operating income	(1.5)	(7.2)	(14.1)	(3.1)
Income before income taxes	100.3	80.5	175.2	151.9
Provision for income taxes	34.5	27.4	60.2	49.5
Net income	\$65.8	\$53.1	\$115.0	\$102.4
Basic earnings per share	\$0.66	\$0.51	\$1.14	\$0.99
Diluted earnings per share	\$0.65	\$0.51	\$1.13	\$0.98
Cash dividends paid per share	\$0.27	\$0.26	\$0.54	\$0.52

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 (Unaudited)
 (in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$65.8	\$53.1	\$115.0	\$102.4
Other comprehensive income (loss):				
Translation adjustments	19.2	(75.0)	) 29.2	(66.6)
Pension and other postretirement liability adjustments, net of tax (a)	(2.8)	) 4.2	(1.5)	) 8.4
Other comprehensive income (loss)	16.4	(70.8)	) 27.7	(58.2)
Total comprehensive income (loss)	\$82.2	\$(17.7)	) \$142.7	\$44.2
(a) - Tax benefit (expense) related to pension and other postretirement liability adjustments	\$1.7	\$(2.8)	) \$1.0	\$(5.3)

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(in millions)

	June 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	\$127.2	\$141.7
Accounts receivable, net	669.5	615.4
Inventories	684.1	648.5
Prepaid expenses and other current assets	113.6	98.9
Total current assets	1,594.4	1,504.5
Property and equipment, net	1,236.4	1,284.3
Goodwill	1,051.6	1,052.2
Other intangible assets, net	184.1	190.6
Deferred charges and other assets	86.5	78.6
Total other long-term assets	1,322.2	1,321.4
TOTAL ASSETS	\$4,153.0	\$4,110.2
LIABILITIES		
Current portion of long-term debt	\$—	\$0.2
Short-term borrowings	15.9	14.7
Accounts payable	390.6	362.8
Accrued salaries and wages	96.4	99.6
Accrued income and other taxes	31.1	32.3
Other current liabilities	81.9	92.3
Total current liabilities	615.9	601.9
Long-term debt, less current portion	1,465.1	1,421.4
Deferred taxes	256.4	269.8
Other liabilities and deferred credits	120.3	132.3
Total liabilities	2,457.7	2,425.4
Commitments and contingencies (See Note 12)		
EQUITY		
Common stock issued (128.0 and 127.9 shares, respectively)	12.8	12.8
Capital in excess of par value	555.1	548.1
Retained earnings	2,065.0	2,005.1
Accumulated other comprehensive loss	(71.0)	(98.7)
Common stock held in treasury (28.1 and 26.0 shares at cost, respectively)	(866.6)	(782.5)
Total equity	1,695.3	1,684.8
TOTAL LIABILITIES AND EQUITY	\$4,153.0	\$4,110.2

See accompanying notes to condensed consolidated financial statements.

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BEMIS COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (Unaudited)
 (in millions)

	Six Months Ended	
	June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$115.0	\$102.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	94.8	97.0
Excess tax benefit from share-based payment arrangements	(0.6)) —
Share-based compensation	7.9	10.6
Deferred income taxes	(14.2)	) 9.3
Income of unconsolidated affiliated company	(0.6)	) (1.5)
(Gain) loss on sale of property and equipment	(0.4)	) 0.2
Net facility consolidation and other costs	—	2.9
Gain on divestitures	(9.4)	) (5.9)
Changes in working capital, excluding effect of acquisitions, divestitures and currency	(116.6)	) (77.8)
Changes in other assets and liabilities	(5.5)	) (34.8)
Net cash provided by operating activities	70.4	102.4
Cash flows from investing activities		
Additions to property and equipment	(69.3)	) (54.5)
Business acquisitions and adjustments, net of cash acquired	—	0.2
Proceeds from sale of property and equipment	7.8	5.5
Proceeds from divestitures	79.8	30.4
Net cash provided by (used in) investing activities	18.3	(18.4)
Cash flows from financing activities		
Repayment of long-term debt	(0.2)) —
Net borrowing of commercial paper	32.5	60.7
Net borrowing (repayment) of short-term debt	5.3	(1.0)
Cash dividends paid to shareholders	(54.6)	) (54.0)
Common stock purchased for the treasury	(84.1)	) (35.6)
Deferred payments for business acquisitions	(6.6)) —
Excess tax benefit from share-based payment arrangements	0.6	—
Stock incentive programs and related tax withholdings	(1.5)	) (12.7)
Net cash used in financing activities	(108.6)	) (42.6)
Effect of exchange rates on cash and cash equivalents	5.4	(5.3)
Net (decrease) increase in cash and cash equivalents	(14.5)) 36.1
Cash and cash equivalents balance at beginning of year	141.7	114.1

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Cash and cash equivalents balance at end of period	\$127.2	\$150.2
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See accompanying notes to condensed consolidated financial statements.

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BEMIS COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF EQUITY
 (Unaudited)
 (in millions)

	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Held In Treasury	Total
Balance at December 31, 2012	\$12.7	\$545.4				