

Domtar CORP
Form 10-Q
May 04, 2012
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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 March 31, 2012

OR

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

For the transition period from to

COMMISSION FILE NUMBER 001-33164

DOMTAR CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

20-5901152
(I.R.S. Employer Identification No.)

395 de Maisonneuve West, Montreal, Quebec H3A 1L6 Canada

(Address of principal executive offices) (zip code)

(514) 848-5555

(Registrant's telephone number)

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

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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 ST (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 definition 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 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

At April 30, 2012, 36,138,812 shares of the issuer's voting common stock were outstanding.

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DOMTAR CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 31, 2012

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Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS (UNAUDITED)****DOMTAR CORPORATION****CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME****(IN MILLIONS OF DOLLARS, UNLESS OTHERWISE NOTED)**

	For the three months ended	
	March 31,	March 31,
	2012	2011
	(Unaudited)	
	\$	\$
Sales	1,398	1,423
Operating expenses		
Cost of sales, excluding depreciation and amortization	1,088	1,021
Depreciation and amortization	97	93
Selling, general and administrative	99	90
Impairment and write-down of property, plant and equipment (NOTE 11)	2	3
Closure and restructuring costs (NOTE 11)	1	11
Other operating loss (income), net (NOTE 7)	2	(6)
	1,289	1,212
Operating income	109	211
Interest expense, net	71	21
Earnings before income taxes and equity earnings	38	190
Income tax expense	8	57
Equity loss, net of taxes	2	
Net earnings	28	133
Per common share (in dollars) (NOTE 5)		
Net earnings		
Basic	0.76	3.16
Diluted	0.76	3.14
Weighted average number of common and exchangeable shares outstanding (millions)		
Basic	36.7	42.1
Diluted	37.0	42.4
Net earnings	28	133
Other Comprehensive income (NOTE 2):		
Net derivative gains on cash flow hedges:		
Net gain arising during the period, net of tax of \$(1) and \$1		4
Less: Reclassification adjustment for losses included in net earnings, net of tax of \$1 and \$1	3	
Foreign currency translation adjustments	19	24
Comprehensive income	50	161

The accompanying notes are an integral part of the consolidated financial statements.

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DOMTAR CORPORATION
CONSOLIDATED BALANCE SHEETS

(IN MILLIONS OF DOLLARS, UNLESS OTHERWISE NOTED)

	At	
	March 31, 2012	December 31, 2011
	(Unaudited)	
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	315	444
Receivables, less allowances of \$5 and \$5	697	644
Inventories (NOTE 8)	676	652
Prepaid expenses	26	22
Income and other taxes receivable	43	47
Deferred income taxes	127	125
Total current assets	1,884	1,934
Property, plant and equipment, at cost	8,613	8,448
Accumulated depreciation	(5,129)	(4,989)
Net property, plant and equipment	3,484	3,459
Goodwill (NOTE 9)	234	163
Intangible assets, net of amortization (NOTE 10)	328	204
Other assets	108	109
Total assets	6,038	5,869
Liabilities and shareholders' equity		
Current liabilities		
Bank indebtedness	13	7
Trade and other payables	637	688
Income and other taxes payable	19	17
Long-term debt due within one year (NOTE 12)	6	4
Total current liabilities	675	716
Long-term debt (NOTE 12)	952	837
Deferred income taxes and other	968	927
Other liabilities and deferred credits	434	417
Commitments and contingencies (NOTE 14)		
Shareholders' equity		
Common stock		
\$0.01 par value; authorized 2,000,000,000 shares; issued: 42,513,417 and 42,506,732 shares		
Treasury stock (NOTE 13)		
\$0.01 par value; 6,401,033 and 6,375,532 shares		
Exchangeable shares		
No par value; unlimited shares authorized; issued and held by nonaffiliates: 618,293 and 619,108 shares	49	49
Additional paid-in capital	2,326	2,326
Retained earnings	686	671
Accumulated other comprehensive loss	(52)	(74)

Total shareholders equity	3,009	2,972
Total liabilities and shareholders equity	6,038	5,869

The accompanying notes are an integral part of the consolidated financial statements.

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DOMTAR CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(IN MILLIONS OF DOLLARS, UNLESS OTHERWISE NOTED)

	Issued and outstanding common and exchangeable shares (millions of shares)	Exchangeable shares	Additional paid-in capital	Retained earnings (Unaudited)	Accumulated other comprehensive loss	Total shareholders equity
		\$	\$	\$	\$	\$
Balance at December 31, 2011	36.8	49	2,326	671	(74)	2,972
Stock-based compensation			4			4
Net earnings				28		28
Net derivative gains on cash flow hedges:						
Net gain arising during the period, net of tax of \$(1)						
Less: Reclassification adjustments for losses included in net earnings, net of tax of \$1					3	3
Foreign currency translation adjustments					19	19
Stock repurchase	(0.1)		(4)			(4)
Cash dividends				(13)		(13)
Balance at March 31, 2012	36.7	49	2,326	686	(52)	3,009

The accompanying notes are an integral part of the consolidated financial statements.

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DOMTAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS OF DOLLARS)

	For the three months ended	
	March 31, 2012	March 31, 2011 (Unaudited)
	\$	\$
Operating activities		
Net earnings	28	133
Adjustments to reconcile net earnings to cash flows from operating activities		
Depreciation and amortization	97	