GLATFELTER P H CO
Form S-3
July 08, 2004

Table of Contents

As filed with the Securities and Exchange Commission on July 8, 2004
Registration Statement No. 333-

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

Form S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

P. H. Glatfelter Company

(Exact name of registrant as specified in its charter)

Pennsylvania *(State or other jurisdiction of incorporation or organization)*	**23-0628360** *(IRS Employer Identification No.)*
96 South George Street, Suite 500 **York, Pennsylvania 17401** *(Address of principal executive offices)*	**(717) 225-4711** *(Registrant s telephone number, including area code)*

Markus R. Mueller

General Counsel, Secretary and
Director of Policy & Compliance
P. H. Glatfelter Company
96 S. George Street, Suite 500
York, Pennsylvania 17401
(717) 225-4711
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

Morris Cheston, Jr., Esquire **Ballard Spahr Andrews & Ingersoll, LLP** **1735 Market Street, 51st Floor** **Philadelphia, Pennsylvania 19103-7599** **(215) 665-8500**	**Kris F. Heinzelman, Esquire** **Cravath, Swaine & Moore LLP** **Worldwide Plaza** **825 Eighth Avenue** **New York, New York 10019-7475** **(212) 474-1000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, par value $.01 per share	7,475,000 shares	$13.555	$101,323,625	$12,838

(1) Includes 975,000 shares which the underwriters have the option to purchase from the selling shareholders to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, as amended, based upon the average of the high and low prices of the Common Stock as reported on the New York Stock Exchange on July 7, 2004.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We or the selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2004

6,500,000 Shares

P. H. Glatfelter Company

Common Stock

The shares of common stock are being sold by the selling shareholders. We will not receive any of the proceeds from the shares of common stock sold by the selling shareholders.

Our common stock is listed on the New York Stock Exchange under the symbol GLT. The last reported sale price on July 7, 2004 was $13.55 per share.

The underwriters have an option to purchase a maximum of 975,000 additional shares within 30 days following the date of this prospectus to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors beginning on page 8.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Shareholders
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Merrill Lynch & Co.

This date of this prospectus is , 2004

TABLE OF CONTENTS

	Page

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights basic information contained in this prospectus. The summary may not contain all of the information that is important to you, and it is qualified in its entirety by the more detailed information and historical consolidated financial statements, including the notes to those financial statements, that are part of our reports filed with the SEC and included or incorporated by reference in this prospectus. You should carefully consider the information contained in and incorporated by reference in the entire prospectus, including the information set forth under the heading Risk Factors in this prospectus. In this prospectus, the terms we, us, our, the Company and Glatfel refer to P. H. Glatfelter Company and its subsidiaries unless the context indicates otherwise.

Our Business

Glatfelter began operations in 1864 and today is one of the world s leading manufacturers of specialty papers and engineered products. Headquartered in York, Pennsylvania, we own and operate paper mills located in Spring Grove, Pennsylvania, Neenah, Wisconsin, Gernsbach, Germany and Scaër, France, as well as an abaca pulp mill in the Philippines. We serve customers in numerous markets, including book publishing, envelope converting, food and beverage, pressure-sensitive, digital imaging, composite laminates, and other highly technical niche markets. Many of the markets in which we operate are characterized by higher-value-added products and, in some cases, by higher growth prospects and lower cyclicality than commodity paper markets. Examples of some of our key product offerings include papers for:

- Tea bags and coffee filters;
- Trade book publishing;
- Specialized envelopes;
- Playing cards;
- Pressure-sensitive postage stamps;
- Metallized labels for beer bottles; and
- Digital imaging applications.

We market our products worldwide through wholesale paper merchants, brokers and agents, and directly to our customers. In 2003, our revenue was $543.2 million.

Our Business Units

We operate three primary business units: Engineered Products; Long Fiber & Overlay Papers; and Printing & Converting Papers.

Engineered Products

Engineered Products focuses on highly technical engineered paper products designed for multiple end uses, such as papers for pressure-sensitive postage stamps, disposable medical garments, playing cards and digital imaging applications. Many of the products in this segment are utilized in demanding, specialized customer and end-user applications and, therefore, command higher per ton values and generally exhibit greater pricing stability relative to commodity grade paper products. In 2003, our net sales of Engineered Products were $108.5 million.

Long Fiber & Overlay Papers

Long Fiber & Overlay Papers focuses on higher-value-added products, such as paper for tea bags and coffee filters, decorative laminates used for furniture and flooring, and metallized products used in the labeling of beer bottles. Long fiber papers, which is the generic term we use to describe products made

Table of Contents

from abaca pulp (primarily tea bag and coffee filter papers), account for the majority of this business unit s sales. Our focus on long fiber papers has made us one of the world s largest suppliers of tea bag papers. The balance of this unit s sales represents overlay and technical specialty products, which include flooring and furniture overlay papers, metallized products, adhesive tapes, vacuum bags, holographic labels and gift wrap. In 2003, our net sales of Long Fiber & Overlay Papers were $165.4 million.

Printing & Converting Papers

Printing & Converting Papers focuses on papers for the production of high-quality hardbound books and other book publishing needs. Total book publishing papers account for the majority of this business unit s sales, and we believe we are the leading supplier of papers for this market in the United States. This business unit also produces other papers, including paper that is converted into specialized envelopes in a wide array of colors, finishes and capabilities. These markets are generally more mature and, therefore, have modest growth characteristics. In 2003, our net sales of Printing & Converting Papers were $249.5 million.

Our Competitive Strengths

Since commencing operations 140 years ago, Glatfelter has developed into one of the world s leading manufacturers of specialty papers and engineered products. We believe that the following competitive strengths have contributed to our success:

Leading market positions in higher-value, niche segments. We have focused our resources to achieve market-leading positions in certain higher-value, niche segments. Our products include various highly specialized paper products designed for technically demanding end uses. Consequently, many of our products achieve premium pricing that is significantly above that of commodity paper grades. In 2003, approximately 70% of our sales were derived from these higher-value, niche products. The specialized nature of these products generally provides greater pricing stability relative to commodity paper products.

Customer-centric business focus. We offer a unique and diverse product line that can be customized to serve the individual needs of our customers. Our size allows us to develop close relationships with our key customers and to be adaptable in our product development, manufacturing, sales and marketing practices. We believe that this approach has led to the development of excellent customer relationships, defensible market positions and increased pricing stability relative to commodity paper products.

Significant investment in product development. In order to keep up with our customers ever-changing needs, we continually enhance our product offerings through significant investment in product development. In each of the past three years, we invested approximately $5.1 million on product development. Revenue generated from products developed, enhanced or improved within the five previous years as a result of these activities represented approximately 25%, 37% and 47% of our sales during 2001, 2002 and 2003, respectively.

Geographic diversity. In 1998, we expanded our global reach with the acquisition of Schoeller & Hoesch GmbH & Co. Schoeller & Hoesch operates paper mills in Gernsbach, Germany and Scaër, France, as well as an abaca pulp mill in the Philippines. The Schoeller & Hoesch product lines serve multiple end markets, including tea bags, coffee filters, laminate furniture and flooring, labels and packaging, and adhesive tapes. During 2003, we sold our products to customers in approximately 80 countries throughout the world.

Integrated production. As a partially integrated producer, we are less subject to changes in the costs of certain raw materials and energy than non-integrated producers. Our Spring Grove mill is a vertically integrated operation producing in excess of 85% of the annual pulp required for its paper production. The principal raw material used to produce this pulp is pulpwood. We obtain approximately 25% of our pulpwood requirements from Company-owned timberlands, which helps

Table of Contents

stabilize our fiber costs in a highly fragmented market. Our Spring Grove facility also generates 100% of the steam and electricity required for its operations. In addition, our Philippine mill processes abaca fiber to produce abaca pulp, which is a key raw material used by our Long Fiber & Overlay business unit in Gernsbach and Scaër.

Our Business Strategy

Our vision is to become the global supplier of choice in specialty papers and engineered products. We are continuously developing and refining strategies to strengthen our business and position it for the future. Execution of these strategies is intended to capitalize on our strengths in customer relationships, technology and people, as well as our leadership positions in certain markets. To be successful in the current market environment, our strategy is focused on aggressively reducing costs and continually repositioning our product portfolio to increase our focus on higher-value, niche products. Certain key elements of our strategy are outlined below:

Reposition our product portfolio. By leveraging our leadership positions in several specialty niche markets, we plan to accelerate growth, improve margins and generate better financial returns through the optimization of our product portfolio. Currently, approximately 70% of our total sales are derived from what we consider to be higher-value, niche products. Over time, we plan to increase our concentration on such products by driving growth in our sales of trade book papers, uncoated specialty products, long fiber and overlay products, and other specialty products. We believe that this strategy will realign our business more closely with our customers needs and further reduce our exposure to the higher level of cyclicality experienced in commodity paper grades.

Employ commodity cost approach to specialty product manufacturing. While we are focused on higher-value, niche products, we seek to employ a commodity-like, low-cost approach to our manufacturing activities. In September 2003, we initiated a restructuring of our Neenah facility, and during the second quarter of 2004, we began to implement our North American Restructuring Program. Together, these actions comprise a series of initiatives designed to improve our cost position and overall financial performance. We believe that these steps will significantly improve our profitability and cash flow, which will allow us to deploy additional capital to specialty products with higher growth potential and returns.

Maintain our strong balance sheet and preserve financial flexibility for future growth initiatives. We are focused on prudent financial management and the maintenance of a conservative capital structure. Furthermore, we are committed to maintaining an investment grade credit rating and our flexibility to pursue strategic opportunities that will benefit our shareholders. We demonstrated this commitment in 2003, during which we maintained a stable debt level despite significant investments in capital equipment.

Execute Long Fiber & Overlay Papers growth plan. A core component of our long-term strategy is to drive growth in our Long Fiber & Overlay Papers business unit. Currently, we are one of the leading producers of tea bag papers in the world, and we believe that this market has promising growth characteristics as certain markets move toward tea bags versus loose tea leaves. We believe that we are well positioned to capitalize on this growth by leveraging our strong customer relationships and market-leading position in this segment. In addition, our rebuilt paper machine in Gernsbach will allow us to penetrate certain technical specialty markets, including the wall covering, textile/apparel and industrial markets.

Background to the Offering

Since Glatfelter was founded in 1864 by Philip H. Glatfelter, his descendants have retained a significant ownership interest in the Company. Throughout this prospectus, we refer to the descendants of Philip H. Glatfelter as the Glatfelter Family. Members of the Glatfelter Family have also played a key role in the management of our company, including our current Chairman and Chief Executive Officer,

Table of Contents

George H. Glatfelter II, a direct descendant of our founder. Today, there are over 100 members of the Glatfelter Family, none of whom are involved in the day-to-day management of our business, other than George H. Glatfelter II. For a more detailed discussion of the relationships between certain members of the Glatfelter Family and the Company, please see Certain Relationships and Related Transactions included elsewhere in this prospectus.

We estimate that, as of May 31, 2004, approximately 35% of our outstanding common stock was held by or for the benefit of the Glatfelter Family. The selling shareholders in this offering are trusts created by or for the benefit of members of the Glatfelter Family. Following consummation of this offering, we estimate that the Glatfelter Family, including those not participating in this offering, will beneficially own approximately 20% of our outstanding common stock (or approximately 18%, if the underwriters exercise their over-allotment option in full).

We have agreed to undertake this offering following a request received from representatives of the Glatfelter Family. We have been informed by the selling shareholders that the decision to offer stock in this offering has been motivated by the desire to diversify their investments in a manner consistent with prudent investment principles.

The Glatfelter Family does not possess registration rights with regard to our common stock and substantially all of our common stock that the Glatfelter Family will own following this offering will be unregistered. In connection with this offering, the holders of substantially all of the shares of our common stock held by or for the benefit of the Glatfelter Family have agreed, subject to certain exceptions, not to offer or sell shares of our common stock for a period of 180 days after the date of this prospectus. These members of the Glatfelter Family have also agreed not to seek registration rights from us with respect to their remaining shares for a period of 365 days after the date of this prospectus. See Underwriting included elsewhere in this prospectus for more information on these agreements.

Risks Relating to Our Business

You should carefully consider the matters discussed in the Risk Factors section beginning on page 8 of this prospectus prior to deciding whether to invest in shares of our common stock. Some of the risks include:

- Our business and financial performance may be adversely affected by downturns in the target markets that we serve;
- Our industry is highly competitive and many of our competitors have greater financial resources than we do. Increased competition could adversely affect our financial performance;
- Increases in the cost of raw materials and energy used to manufacture our products will increase our production costs and may adversely affect our financial performance; and
- We are subject to substantial costs and potential liability related to environmental regulations and environmental remediation activities. We may face increasing compliance and remediation costs which could adversely affect our financial performance.

Company Information

We are incorporated under the laws of the Commonwealth of Pennsylvania. Our executive offices are located at 96 South George Street, Suite 500, York, Pennsylvania 17401. Our telephone number is (717) 225-4711. Our Web site address is www.glatfelter.com. The information on our Web site is not part of this prospectus.

Table of Contents

The Offering

Common stock offered by the selling shareholders	6,500,000 shares (or 7,475,000 shares if the underwriters exercise the over-allotment option in full)
Common stock outstanding before and after this offering	43,842,804 shares
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling shareholders.
New York Stock Exchange Symbol	GLT

All of the shares offered by this prospectus are being offered by the selling shareholders.

The number of shares of common stock outstanding is based on the number of shares outstanding as of June 30, 2004 and excludes:

2,262,422 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of $14.61;

279,620 shares of common stock reserved for issuance upon the vesting of restricted stock awards and restricted stock units; and

1,115,255 shares of common stock reserved for future awards under our 1992 Key Employee Long-Term Incentive Plan.

As of May 31, 2004 the selling shareholders held approximately 32% of our outstanding common stock. After giving effect to this offering, the selling shareholders will own approximately 17% of our outstanding common stock (or approximately 15% if the underwriters over-allotment option is exercised in full).

Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise the over-allotment option granted to them by the selling shareholders.

Table of Contents

Summary Consolidated Financial Information

The following summary consolidated financial information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, Selected Historical Financial Data and our consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated financial information for the years ended December 31, 2001, 2002, and 2003, and as of December 31, 2002 and 2003 are derived from our audited consolidated financial statements included elsewhere in this prospectus. In July 2003, we completed the sale of our Wische, France subsidiary and, in accordance with accounting principles generally accepted in the United States of America, the consolidated financial information for all periods presented in this Summary Consolidated Financial Information has been adjusted to reflect this subsidiary as a discontinued operation. As a result of such adjustment, the summary consolidated financial information for the years ended December 31, 1999 and 2000 and as of December 31, 1999, 2000 and 2001 is unaudited. The summary consolidated financial information for the three months ended March 31, 2003 and 2004 is unaudited. The historical results are not necessarily indicative of our future results of operations or financial performance.

Dollars in thousands, except per share amounts	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
Income Statement Data:							
Total revenues	$711,553	$731,188	$642,263	$550,161	$543,233	$144,563	$134,491
Cost of products sold	578,639	589,149	501,142	423,880	463,687	114,256	113,992
Gross profit	132,914	142,039	141,121	126,281	79,546	30,307	20,499
Selling, general and administrative expenses	55,932	59,905	60,225	53,699	59,146	15,034	14,822
Restructuring charges and unusual items, net		3,336	60,908	2,241	18,484		
Gains on disposition of plant, equipment and timberlands, net	(4,076)	467	(2,015)	(1,304)	(32,334)	(30,547)	(33,038)
Gains from insurance recoveries							(25,200)
Operating income	81,058	78,331	22,003	71,645	34,250	45,820	63,915
Other nonoperating income (expense)							
Interest, net	(16,283)	(12,461)	(12,039)	(13,532)	(12,449)	(3,212)	(2,972)
Other net	(11)	1,759	1,558	1,016	(1,385)	(890)	213
Total other income (expense)	(16,294)	(10,702)	(10,481)	(12,516)	(13,834)	(4,102)	(2,759)
Income from continuing operations before income taxes	64,764	67,629	11,522	59,129	20,416	41,718	61,156
Income tax provision	23,591	24,262	4,693	21,492	7,430	15,029	24,897
Income from continuing operations	$ 41,173	$ 43,367	$ 6,829	$ 37,637	$ 12,986	$ 26,689	$ 36,259
Diluted earnings per share from continuing operations	$ 0.98	$ 1.04	$ 0.16	$ 0.86	$ 0.30	$ 0.61	$ 0.83
Cash dividends declared per common share	0.70	0.70	0.70	0.70	0.53	0.175	0.09

	Year Ended December 31,					Three Months Ended March 31,	
Dollars in thousands	1999	2000	2001	2002	2003	2003	2004
Cash Flow Data:							
Cash provided (used) by continuing operations							
Operating activities	$ 81,054	$103,067	$ 64,437	$ 77,706	$ 46,996	$ 9,064	$ 14,148
Investing activities	(29,105)	(29,054)	(30,536)	(49,610)	(62,367)	(24,918)	28,509
Financing activities	(26,264)	(36,789)	(48,710)	(84,605)	(2,462)	29,332	(39,034)
Depreciation, depletion and amortization	47,578	45,931	44,815	45,003	56,029	12,537	13,232
Capital expenditures	24,044	29,197	47,805	51,108	66,758	25,154	5,105

	As of December 31,					As of March 31,
Dollars in thousands	1999	2000	2001	2002	2003	2004
Balance Sheet Data:						
Cash and cash equivalents	$ 75,879	$ 110,413	$ 95,407	$ 32,219	$ 15,556	$ 18,883
Working capital[(1)]	137,202	169,177	32,213	88,140	59,332	75,858
Total assets	1,003,780	1,023,325	966,604	953,202	1,027,019	1,025,274
Total debt	329,770	306,822	277,755	220,532	254,275	218,076