

STEPAN CO
Form 10-Q
November 02, 2012

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, 2012

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

FOR THE TRANSITION PERIOD FROM TO

1-4462

Commission File Number

STEPAN COMPANY

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

36-1823834
(I.R.S. Employer
Identification Number)

Edens and Winnetka Road, Northfield, Illinois 60093
(Address of principal executive offices)

Registrant's telephone number (847) 446-7500

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 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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

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 October 30, 2012
Common Stock, \$1 par value	10,392,429 Shares

Part I FINANCIAL INFORMATION**Item 1 Financial Statements**

STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

<i>(In thousands, except per share amounts)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Net Sales	\$ 440,978	\$ 499,335	\$ 1,376,478	\$ 1,398,922
Cost of Sales	369,725	435,255	1,155,045	1,203,471
Gross Profit	71,253	64,080	221,433	195,451
Operating Expenses:				
Selling	12,128	10,885	38,764	33,886
Administrative	14,389	9,709	45,427	33,263
Research, development and technical services	10,845	10,083	33,130	30,970
	37,362	30,677	117,321	98,119
Operating Income	33,891	33,403	104,112	97,332
Other Income (Expense):				
Interest, net	(2,684)	(2,256)	(7,374)	(6,513)
Loss from equity in joint ventures	(1,376)	(890)	(3,817)	(2,660)
Other, net (Note 12)	404	(2,028)	1,552	(1,463)
	(3,656)	(5,174)	(9,639)	(10,636)
Income Before Provision for Income Taxes	30,235	28,229	94,473	86,696
Provision for Income Taxes	9,916	8,998	30,279	27,643
Net Income	20,319	19,231	64,194	59,053
Net Income Attributable to Noncontrolling Interests (Note 2)	(89)	(62)	(237)	(256)
Net Income Attributable to Stepan Company	\$ 20,230	\$ 19,169	\$ 63,957	\$ 58,797
Net Income Per Common Share Attributable to Stepan Company (Note 9):				
Basic	\$ 1.90	\$ 1.83	\$ 6.01	\$ 5.63
Diluted	\$ 1.78	\$ 1.70	\$ 5.63	\$ 5.25
Shares Used to Compute Net Income Per Common Share Attributable to Stepan Company (Note 9):				
Basic	10,581	10,365	10,553	10,345
Diluted	11,368	11,248	11,354	11,199
Dividends Declared Per Common Share	\$ 0.28	\$ 0.26	\$ 0.84	\$ 0.78

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The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

<i>(In thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Net income	\$ 20,319	\$ 19,231	\$ 64,194	\$ 59,053
Other comprehensive income (loss):				
Foreign currency translation adjustments	5,513	(20,762)	3,493	(10,681)
Pension liability adjustment, net of tax	512	389	1,676	1,433
Derivative instrument activity, net of tax	34	224	98	613
Other comprehensive income (loss)	6,059	(20,149)	5,267	(8,635)
Comprehensive income (loss)	26,378	(918)	69,461	50,418
Less: Comprehensive income attributable to noncontrolling interests	(97)	(138)	(299)	(374)
Comprehensive income (loss) attributable to Stepan Company	\$ 26,281	\$ (1,056)	\$ 69,162	\$ 50,044

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STEPAN COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

<i>(In thousands)</i>	September 30, 2012	December 31, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 79,655	\$ 84,099
Receivables, net	265,424	260,784
Inventories (Note 6)	155,193	111,175
Deferred income taxes	8,504	8,769
Other current assets	18,360	14,915
Total current assets	527,136	479,742
Property, Plant and Equipment:		
Cost	1,176,440	1,119,897
Less: accumulated depreciation	771,703	735,914
Property, plant and equipment, net	404,737	383,983
Goodwill, net	7,146	7,000
Other intangible assets, net	9,374	11,181
Long-term investments (Note 3)	14,181	12,464
Other non-current assets	6,074	6,748
Total assets	\$ 968,648	\$ 901,118
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt (Note 11)	\$ 31,634	\$ 34,487
Accounts payable	144,638	137,764
Accrued liabilities	67,271	60,975
Total current liabilities	243,543	233,226
Deferred income taxes	12,586	8,644
Long-term debt, less current maturities (Note 11)	156,517	164,967
Other non-current liabilities	88,244	88,816
Commitments and Contingencies (Note 7)		
Equity:		
5-1/2% convertible preferred stock, cumulative, voting, without par value; authorized 2,000,000 shares; issued and outstanding shares 515,781 in 2012 and 518,293 in 2011	12,895	12,957
Common stock, \$1 par value; authorized 30,000,000 shares; Issued shares 11,913,477 in 2012 and 11,709,312 shares in 2011	11,913	11,709
Additional paid-in capital	104,791	94,932
Accumulated other comprehensive loss	(36,083)	(41,485)
Retained earnings	421,016	366,293

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Less: Common treasury stock, 1,521,167 at cost, shares in 2012 and 1,462,980 shares in 2011	(48,579)	(43,195)
Total Stepan Company stockholders' equity	465,953	401,211
Noncontrolling interests (Note 2)	1,805	4,254
Total equity	467,758	405,465
Total liabilities and equity	\$ 968,648	\$ 901,118

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

<i>(In thousands)</i>	Nine Months Ended September 30	
	2012	2011
Cash Flows From Operating Activities		
Net income	\$	64,194