

GLATFELTER P H CO
Form 10-Q
August 02, 2016
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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 June 30, 2016

or

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

96 South George Street, Suite 520

York, Pennsylvania 17401

(Address of principal executive offices)

(717) 225-4711

(Registrant's telephone number, including area code)

Commission	Exact name of registrant as	IRS Employer	State or other jurisdiction of
file number	specified in its charter	Identification No.	incorporation or organization
1-03560	P. H. Glatfelter Company	23-0628360	Pennsylvania
		N/A	

(Former name or former address, if changed since last report)

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 at 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 small reporting company. See the definitions 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 (Do not check if a smaller reporting company). Small 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 .

Common Stock outstanding on July 29, 2016 totaled 43,547,739 shares.

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**P. H. GLATFELTER COMPANY AND
SUBSIDIARIES
REPORT ON FORM 10-Q
For the QUARTERLY PERIOD ENDED
June 30, 2016
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PART I

Item 1 Financial Statements

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

<i>In thousands, except per share</i>	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Net sales	\$ 406,413	\$ 410,803	\$ 808,631	\$ 828,272
Energy and related sales, net	2,001	715	2,667	2,783
Total revenues	408,414	411,518	811,298	831,055
Costs of products sold	365,691	378,685	710,732	746,114
Gross profit	42,723	32,833	100,566	84,941
Selling, general and administrative expenses	37,191	29,137	69,049	60,409
(Gains) losses on dispositions of plant, equipment and timberlands, net	2	(111)	26	(2,765)
Operating income	5,530	3,807	31,491	27,297
Non-operating income (expense)				
Interest expense	(3,953)	(4,352)	(8,069)	(8,860)
Interest income	61	77	152	142
Other, net	317	215	(383)	28
Total non-operating expense	(3,575)	(4,060)	(8,300)	(8,690)
Income (loss) before income taxes	1,955	(253)	23,191	18,607
Income tax (benefit) provision	(10)	(3,101)	5,058	1,834
Net income	\$ 1,965	\$ 2,848	\$ 18,133	\$ 16,773
Earnings per share				
Basic	\$ 0.05	\$ 0.07	\$ 0.42	\$ 0.39
Diluted	0.04	0.06	0.41	0.38
Cash dividends declared per common share	\$ 0.125	\$ 0.12	\$ 0.25	\$ 0.24
Weighted average shares outstanding				
Basic	43,558	43,377	43,539	43,315
Diluted	44,062	44,032	43,963	43,992

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

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Table of Contents**P. H. GLATFELTER COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(unaudited)

<i>In thousands</i>	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net income	\$ 1,965	\$ 2,848	\$ 18,133	\$ 16,773
Foreign currency translation adjustments	(14,864)	16,704	(1,445)	(24,633)
Net change in:				
Deferred gains on cash flow hedges, net of taxes of \$(258), \$956, \$(201) and \$(107), respectively	944	(2,501)	1,010	265
Unrecognized retirement obligations, net of taxes of \$(1,442), \$(1,769), \$(2,809) and \$(3,779), respectively	2,381	2,884	4,638	6,170
Other comprehensive income (loss)	(11,539)	17,087	4,203	(18,198)
Comprehensive income (loss)	\$ (9,574)	\$ 19,935	\$ 22,336	\$ (1,425)

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

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(unaudited)

<i>In thousands</i>	June 30 2016	December 31 2015
Assets		
Cash and cash equivalents	\$ 58,532	\$ 105,304
Accounts receivable, net	175,336	167,199
Inventories	257,623	247,214
Prepaid expenses and other current assets	33,094	32,650
Total current assets	524,585	552,367
Plant, equipment and timberlands, net	748,036	698,864
Goodwill	77,044	76,056
Intangible assets	61,625	63,057
Other assets	113,894	110,072
Total assets	\$ 1,525,184	\$ 1,500,416
Liabilities and Shareholders Equity		
Current portion of long-term debt	\$ 9,098	\$ 7,366
Accounts payable	169,869	172,735
Dividends payable	5,455	5,231
Environmental liabilities	11,361	12,544
Other current liabilities	115,610	106,444
Total current liabilities	311,393	304,320
Long-term debt	358,366	353,296
Deferred income taxes	75,155	76,458
Other long-term liabilities	104,047	103,095
Total liabilities	848,961	837,169
Commitments and contingencies		
Shareholders equity		
Common stock	544	544
Capital in excess of par value	54,530	54,912
Retained earnings	970,374	963,143
Accumulated other comprehensive loss	(186,283)	(190,486)
	839,165	828,113
Less cost of common stock in treasury	(162,942)	(164,866)
Total shareholders equity	676,223	663,247

Total liabilities and shareholders' equity **\$ 1,525,184** \$ 1,500,416

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

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P. H. GLATFELTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>In thousands</i>	Six months ended June 30	
	2016	2015
Operating activities		
Net income	\$ 18,133	\$ 16,773
Adjustments to reconcile to net cash provided by operations:		
Depreciation, depletion and amortization	33,411	31,602
Amortization of debt issue costs	574	599
Pension expense, net of unfunded benefits paid	1,964	3,699
Deferred income tax (benefit) provision	(2,672)	2,501
Losses (gains) on dispositions of plant, equipment and timberlands, net	26	(2,765)
Share-based compensation	2,803	3,663
Change in operating assets and liabilities		
Accounts receivable	(8,471)	(20,783)
Inventories	(12,295)	(8,609)
Prepaid and other current assets	(163)	(1,678)
Accounts payable	(3,027)	(989)
Accruals and other current liabilities	5,252	2,735
Other	1,105	(1,235)
Net cash provided by operating activities	36,640	25,513
Investing activities		
Expenditures for purchases of plant, equipment and timberlands	(80,391)	(44,575)
Proceeds from disposals of plant, equipment and timberlands, net	53	3,051
Other	(300)	(1,600)
Net cash used by investing activities	(80,638)	(43,124)
Financing activities		
Net repayments of revolving credit facility	(11,403)	
Payments of borrowing costs	(136)	(1,329)
Proceeds from term loans	19,428	
Repayment of term loans	(3,803)	(1,492)
Payments of dividends	(10,679)	(9,992)
Proceeds from government grants	4,443	
Payments related to share-based compensation awards and other	(976)	(2,000)
Net cash used by financing activities	(3,126)	(14,813)
Effect of exchange rate changes on cash	352	(1,651)
Net decrease in cash and cash equivalents	(46,772)	(34,075)

Cash and cash equivalents at the beginning of period	105,304	99,837
Cash and cash equivalents at the end of period	\$ 58,532	\$ 65,762

Supplemental cash flow information

Cash paid for:

Interest, net of amounts capitalized	\$ 7,509	\$ 8,281
Income taxes, net	8,486	10,234

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

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P. H. GLATFELTER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)