

APTARGROUP INC  
Form 10-Q  
November 04, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549-1004

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

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COMMISSION FILE NUMBER 1-11846

AptarGroup, Inc.

DELAWARE  
(State of Incorporation)

36-3853103  
(I.R.S. Employer Identification No.)

475 WEST TERRA COTTA AVENUE, SUITE E, CRYSTAL LAKE, ILLINOIS 60014

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815-477-0424

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 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.

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

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 29, 2013 |
|---|---------------------------------|
| Common Stock, \$.01 par value per share | 65,853,245 shares               |

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AptarGroup, Inc.

**Form 10-Q**

Quarter Ended September 30, 2013

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## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except per share amounts

|  | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                   |
|--|----------------------------------|------------------|---------------------------------|-------------------|
|  | 2013                             | 2012             | 2013                            | 2012              |
| <b>Net Sales</b>   | \$ 623,644                       | \$ 589,598       | \$ 1,882,718                    | \$ 1,759,599      |
| <b>Operating Expenses:</b>   |                                  |                  |                                 |                   |
| Cost of sales (exclusive of depreciation and amortization shown below) | 424,011                          | 407,368          | 1,273,848                       | 1,198,663         |
| Selling, research & development and administrative                     | 86,917                           | 80,094           | 269,335                         | 256,433           |
| Depreciation and amortization  | 37,222                           | 35,248           | 112,007                         | 100,399           |
| Restructuring initiatives  | 2,180                            | --               | 8,758                           | (215)             |
|  | 550,330                          | 522,710          | 1,663,948                       | 1,555,280         |
| <b>Operating Income</b>  | <b>73,314</b>                    | <b>66,888</b>    | <b>218,770</b>                  | <b>204,319</b>    |
| <b>Other Income (Expense):</b>   |                                  |                  |                                 |                   |
| Interest expense   | (4,841)                          | (4,721)          | (15,364)                        | (13,867)          |
| Interest income  | 576                              | 335              | 2,271                           | 2,157             |
| Equity results of affiliates   | (286)                            | (229)            | (609)                           | (518)             |
| Miscellaneous, net   | (437)                            | 753              | (1,070)                         | (247)             |
|  | (4,988)                          | (3,862)          | (14,772)                        | (12,475)          |
| <b>Income before Income Taxes</b>                                      | <b>68,326</b>                    | <b>63,026</b>    | <b>203,998</b>                  | <b>191,844</b>    |
| <b>Provision for Income Taxes</b>                                      | <b>23,094</b>                    | <b>20,925</b>    | <b>68,908</b>                   | <b>64,278</b>     |
| <b>Net Income</b>  | <b>\$ 45,232</b>                 | <b>\$ 42,101</b> | <b>\$ 135,090</b>               | <b>\$ 127,566</b> |
| <b>Net Loss Attributable to Noncontrolling Interests</b>               | <b>\$ 32</b>                     | <b>\$ 26</b>     | <b>\$ 5</b>                     | <b>\$ 56</b>      |
| <b>Net Income Attributable to AptarGroup, Inc.</b>                     | <b>\$ 45,264</b>                 | <b>\$ 42,127</b> | <b>\$ 135,095</b>               | <b>\$ 127,622</b> |
| <b>Net Income Attributable to AptarGroup, Inc. per Common Share:</b>   |                                  |                  |                                 |                   |
| Basic  | \$ 0.68                          | \$ 0.63          | \$ 2.04                         | \$ 1.92           |
| Diluted  | \$ 0.67                          | \$ 0.62          | \$ 1.98                         | \$ 1.86           |

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| <b>Average Number of Shares Outstanding:</b> |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Basic  | <b>66,092</b>  | 66,541         | <b>66,222</b>  | 66,439         |
| Diluted                                      | <b>67,986</b>  | 68,353         | <b>68,273</b>  | 68,711         |
| <b>Dividends per Common Share</b>            | <b>\$ 0.25</b> | <b>\$ 0.22</b> | <b>\$ 0.75</b> | <b>\$ 0.66</b> |

See accompanying unaudited notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/ (LOSS)

(Unaudited)

In thousands, except per share amounts

|   | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                   |
|---|-------------------------------------|------------------|------------------------------------|-------------------|
|   | 2013                                | 2012             | 2013                               | 2012              |
| <b>Net Income</b>   | \$ 45,232                           | \$ 42,101        | \$ 135,090                         | \$ 127,566        |
| <b>Other Comprehensive Income/(Loss):</b>                                   |                                     |                  |                                    |                   |
| Foreign currency translation adjustments                                    | 45,344                              | 19,027           | 16,282                             | (9,795)           |
| Changes in treasury locks, net of tax                                       | 9                                   | 14               | 39                                 | 194               |
| Net loss on derivatives, net of tax   | --                                  | --               | --                                 | (7)               |
| Defined benefit pension plan, net of tax                                    |                                     |                  |                                    |                   |
| Amortization of prior service cost included in net income, net of tax       | 61                                  | 59               | 183                                | 180               |
| Amortization of net loss included in net income, net of tax                 | 1,039                               | 683              | 3,111                              | 2,054             |
| Total defined benefit pension plan, net of tax                              | 1,100                               | 742              | 3,294                              | 2,234             |
| Total other comprehensive income/(loss)                                     | 46,453                              | 19,783           | 19,615                             | (7,374)           |
| <b>Comprehensive Income</b>   | <b>91,685</b>                       | <b>61,884</b>    | <b>154,705</b>                     | <b>120,192</b>    |
| <b>Comprehensive Loss/(Income) Attributable To Noncontrolling Interests</b> | <b>30</b>                           | <b>21</b>        | <b>(2)</b>                         | <b>56</b>         |
| <b>Comprehensive Income Attributable to AptarGroup, Inc.</b>                | <b>\$ 91,715</b>                    | <b>\$ 61,905</b> | <b>\$ 154,703</b>                  | <b>\$ 120,248</b> |

See accompanying unaudited notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

|  | September 30,<br>2013 | December 31,<br>2012 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| <b>Current Assets:</b>   |                       |                      |
| Cash and equivalents   | \$ 247,851            | \$ 229,755           |
| Accounts and notes receivable, less allowance for doubtful accounts of \$4,780 in 2013 and \$6,751 in 2012 | 439,016               | 396,788              |
| Inventories  | 349,690               | 321,885              |
| Prepaid and other  | 109,091               | 90,505               |
|  | <b>1,145,648</b>      | <b>1,038,933</b>     |
| <b>Property, Plant and Equipment:</b>  |                       |                      |
| Buildings and improvements   | 378,451               | 364,704              |
| Machinery and equipment  | 1,941,744             | 1,857,347            |
|  | <b>2,320,195</b>      | <b>2,222,051</b>     |
| Less: Accumulated depreciation   | (1,486,234)           | (1,397,575)          |
|  | <b>833,961</b>        | <b>824,476</b>       |
| Land   | 23,872                | 23,757               |
|  | <b>857,833</b>        | <b>848,233</b>       |
| <b>Other Assets:</b>   |                       |                      |
| Investments in affiliates  | 3,177                 | 3,693                |
| Goodwill   | 355,316               | 351,552              |
| Intangible assets, net   | 49,757                | 51,960               |
| Miscellaneous  | 16,641                | 30,041               |
|  | <b>424,891</b>        | <b>437,246</b>       |
| <b>Total Assets</b>  | <b>\$ 2,428,372</b>   | <b>\$ 2,324,412</b>  |

See accompanying unaudited notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

|  | September 30,<br>2013 | December 31,<br>2012 |
|--|-----------------------|----------------------|
| <b>Liabilities and Stockholders Equity</b>   |                       |                      |
| <b>Current Liabilities:</b>  |                       |                      |
| Notes payable  | \$ 76,811             | \$ 45,166            |
| Current maturities of long-term obligations  | 899                   | 29,488               |
| Accounts payable and accrued liabilities   | 402,632               | 380,669              |
|  | <b>480,342</b>        | <b>455,323</b>       |
| <b>Long-Term Obligations</b>   | <b>355,185</b>        | <b>352,860</b>       |
| <b>Deferred Liabilities and Other:</b>   |                       |                      |
| Deferred income taxes  | 30,393                | 33,451               |
| Retirement and deferred compensation plans   | 95,031                | 95,872               |
| Deferred and other non-current liabilities   | 6,578                 | 6,408                |
| Commitments and contingencies  | --                    | --                   |
|  | <b>132,002</b>        | <b>135,731</b>       |
| <b>Stockholders Equity:</b>  |                       |                      |
| AptarGroup, Inc. stockholders equity   |                       |                      |
| Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding  | --                    | --                   |
| Common stock, \$.01 par value, 199 million shares authorized; 85.2 and 84.1 million shares issued as of September 30, 2013 and December 31, 2012, respectively | 852                   | 840                  |
| Capital in excess of par value   | 485,733               | 430,210              |
| Retained earnings  | 1,598,979             | 1,513,558            |
| Accumulated other comprehensive income   | 80,291                | 60,683               |
| Less treasury stock at cost, 19.4 and 18.2 million shares as of September 30, 2013 and December 31, 2012, respectively   | (705,622)             | (625,401)            |
| Total AptarGroup, Inc. Stockholders Equity   | <b>1,460,233</b>      | <b>1,379,890</b>     |
| Noncontrolling interests in subsidiaries   | 610                   | 608                  |
| <b>Total Stockholders Equity</b>   | <b>1,460,843</b>      | <b>1,380,498</b>     |
| <b>Total Liabilities and Stockholders Equity</b>   | <b>\$ 2,428,372</b>   | <b>\$ 2,324,412</b>  |

See accompanying unaudited notes to condensed consolidated financial statements.

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**AptarGroup, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands, except per share amounts

|   |    | AptarGroup, Inc. Stockholders Equity |  |                        |                |                                |                          |              |  |
|---|----|--------------------------------------|--|------------------------|----------------|--------------------------------|--------------------------|--------------|--|
|   |    | Retained Earnings                    | AptarGroup, Inc. Accumulated Other Comprehensive Income/(Loss) | Common Stock Par Value | Treasury Stock | Capital in Excess of Par Value | Non-Controlling Interest | Total Equity |  |
| <b>Balance December 31, 2011:</b>   | \$ | 1,409,388                            | \$ 60,318  | \$ 827                 | \$ (545,612)   | \$ 364,855                     | \$ 796                   | \$ 1,290,572 |  |
| Net income (loss)   |    | 127,622                              |  |                        |                |                                | (56)                     | 127,566      |  |
| Foreign currency translation adjustments  |    |                                      | (9,795)  |                        |                |                                |                          | (9,795)      |  |
| Changes in unrecognized pension gains/losses and related amortization, net of tax |    |                                      | 2,234  |                        |                |                                |                          | 2,234        |  |
| Changes in treasury locks, net of tax   |    |                                      | 194  |                        |                |                                |                          | 194          |  |
| Net loss on derivatives, net of tax   |    |                                      | (7)  |                        |                |                                |                          | (7)          |  |
| Stock option exercises & restricted stock vestings                                |    |                                      |  | 10                     | 3              | 52,235                         |                          | 52,248       |  |
| Cash dividends declared on common stock   |    | (43,830)                             |  |                        |                |                                |                          | (43,830)     |  |
| Treasury stock purchased  |    |                                      |  |                        | (40,896)       |                                |                          | (40,896)     |  |
| <b>Balance September 30, 2012:</b>  | \$ | 1,493,180                            | \$ 52,944  | \$ 837                 | \$ (586,505)   | \$ 417,090                     | \$ 740                   | \$ 1,378,286 |  |
| <b>Balance December 31, 2012:</b>   | \$ | 1,513,558                            | \$ 60,683  | \$ 840                 | \$ (625,401)   | \$ 430,210                     | \$ 608                   | \$ 1,380,498 |  |
| Net income (loss)   |    | 135,095                              |  |                        |                |                                | (5)                      | 135,090      |  |
| Foreign currency translation adjustments  |    |                                      | 16,275   |                        |                |                                | 7                        | 16,282       |  |
| Changes in unrecognized pension gains/losses and related amortization, net of tax |    |                                      | 3,294  |                        |                |                                |                          | 3,294        |  |
| Changes in treasury locks, net of tax   |    |                                      | 39   |                        |                |                                |                          | 39           |  |