

DUCOMMUN INC /DE/
Form 10-Q
October 31, 2006
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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 September 30, 2006

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 1-8174

DUCOMMUN INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-0693330
(I.R.S. Employer
Identification No.)

23301 Wilmington Avenue, Carson, California
(Address of principal executive offices)

90745-6209
(Zip Code)

(310) 513-7280

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, 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 the past 90 days. Yes **x** No **..**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer ☐

Accelerated filer ☒

Non accelerated filer ☐

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. As of October 25, 2006, there were outstanding 10,242,996 shares of common stock.

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DUCOMMUN INCORPORATED

FORM 10-Q

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DUCOMMUN INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	(Unaudited) September 30, 2006	December 31, 2005
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,618	\$ 19,221
Accounts receivable (less allowance for doubtful accounts of \$288 and \$244)	40,242	32,890
Unbilled receivables	4,611	
Inventories	65,950	53,299
Deferred income taxes	7,516	6,048
Prepaid income taxes		56
Other current assets	5,485	4,464
Total Current Assets	126,422	115,978
Property and Equipment, Net	53,822	52,481
Goodwill, Net	108,066	57,201
Other Intangible Assets, Net	10,741	
Other Assets	1,757	2,309
	\$ 300,808	\$ 227,969
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	\$ 1,253	\$
Accounts payable	26,851	17,787
Accrued liabilities	38,869	33,879
Total Current Liabilities	66,973	51,666
Long-Term Debt, Less Current Portion	43,850	
Deferred Income Taxes	6,279	5,752
Other Long-Term Liabilities	2,700	2,700
Total Liabilities	119,802	60,118
Commitments and Contingencies		
Shareholders' Equity:		
Common stock - \$.01 par value; authorized 35,000,000 shares; issued 10,234,996 shares in 2006 and 10,108,996 shares in 2005	102	101
Additional paid-in capital	45,112	41,987
Retained earnings	138,492	128,463
Accumulated other comprehensive loss	(2,700)	(2,700)

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Total Shareholders' Equity	181,006	167,851
	\$ 300,808	\$ 227,969

See accompanying notes to consolidated financial statements.

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DUCOMMUN INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

	For Three Months Ended	
	September 30,	October 1,
	2006	2005
Net Sales	\$ 81,557	\$ 63,008
Operating Costs and Expenses:		
Cost of goods sold	64,612	49,958
Selling, general and administrative expenses	10,374	7,555
Total Operating Costs and Expenses	74,986	57,513
Operating Income	6,571	5,495
Interest (Expense)/Income, Net	(704)	407
Income Before Taxes	5,867	5,902
Income Tax Expense, Net	(1,768)	(1,587)
Net Income	\$ 4,099	\$ 4,315
Earnings Per Share:		
Basic earnings per share	\$.40	\$.43
Diluted earnings per share	\$.40	\$.42
Weighted Average Number of Common Shares Outstanding:		
Basic	10,231	10,069
Diluted	10,292	10,222
<i>See accompanying notes to consolidated financial statements.</i>		

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DUCOMMUN INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

	For Nine Months Ended	
	September 30,	October 1,
	2006	2005
Net Sales	\$ 231,195	\$ 188,818
Operating Costs and Expenses:		
Cost of goods sold	184,508	150,041
Selling, general and administrative expenses	29,609	22,195
Total Operating Costs and Expenses	214,117	172,236
Operating Income	17,078	16,582
Interest (Expense)/Income, Net	(1,868)	322
Income Before Taxes	15,210	16,904
Income Tax Expense, Net	(5,181)	(4,433)
Net Income	\$ 10,029	\$ 12,471
Earnings Per Share:		
Basic earnings per share	\$.98	\$ 1.24
Diluted earnings per share	\$.97	\$ 1.22
Weighted Average Number of Common Shares Outstanding:		
Basic	10,195	10,058
Diluted	10,287	10,190
<i>See accompanying notes to consolidated financial statements.</i>		

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DUCOMMUN INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For Nine Months Ended September 30, 2006	October 1, 2005
Cash Flows from Operating Activities:		
Net Income	\$ 10,029	\$ 12,471
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	6,131	5,652
Amortization of other intangible assets	999	
Deferred income tax (benefit)/provision	(941)	2,454
Excess tax benefit from stock-based compensation	(182)	
Income tax benefit from stock-based compensation	501	177
Stock-based compensation expense	1,067	
Recovery of doubtful accounts	(15)	(110)
Gain on sale of assets	(36)	(13)
Net (recovery of)/provision for warranty reserves	(23)	108
Net reduction of contract cost overruns	(257)	(574)
Changes in Assets and Liabilities Net of Effects from Acquisitions:		
Accounts receivable - (increase)	(856)	(6,882)
Unbilled receivables - (increase)	(2,052)	
Inventories - (increase)	(10,784)	(588)
Prepaid income taxes - decrease	56	272
Other assets - (increase)	(186)	(570)
Accounts payable - increase	7,781	2,092
Accrued and other liabilities - (decrease)/increase	(408)	3,375
Net Cash Provided by Operating Activities	10,824	17,864
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(6,851)	(3,229)
Proceeds from Sale of Assets	179	18
Acquisition of Businesses, Net of Cash Acquired	(60,495)	
Net Cash Used in Investing Activities	(67,167)	(3,211)
Cash Flows from Financing Activities:		
Net Borrowings/(Repayment) of Long-Term Debt	38,000	(1,200)
Net Cash Effect of Exercise Related to Stock Options	1,558	247
Excess Tax Benefit from Stock-Based Compensation	182	
Net Cash Provided by/(Used in) Financing Activities	39,740	(953)
Net (Decrease)/Increase in Cash and Cash Equivalents	(16,603)	13,700
Cash and Cash Equivalents at Beginning of Period	19,221	158
Cash and Cash Equivalents at End of Period	\$ 2,618	\$ 13,858

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Supplemental Disclosures of Cash Flow Information:

Interest Paid	\$ 1,654	\$ 32
Taxes Paid	\$ 4,930	\$ 2,237

See accompanying notes to consolidated financial statements.

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DUCOMMUN INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The consolidated balance sheet is unaudited as of September 30, 2006 and the consolidated statements of income and the consolidated statements of cash flows are unaudited for the three months and nine months ended September 30, 2006 and October 1, 2005. The consolidated financial statements include the accounts of Ducommun Incorporated and its subsidiaries (Ducommun or the Company), after eliminating inter-company balances and transactions. The interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of the Company, necessary for a fair presentation of the results for the interim periods presented. The financial information included in this Form 10-Q should be read in conjunction with the Company s consolidated financial statements and related notes thereto included in the Form 10-K for the year ended December 31, 2005. The results of operations for the three months and nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year ending December 31, 2006.

Note 2. Changes in Significant Accounting Policies

Ducommun operates in two business segments. Ducommun AeroStructures, Inc. (DAS), engineers and manufactures aerospace structural components and subassemblies. Ducommun Technologies, Inc. (DTI), designs, engineers and manufactures electromechanical components and subsystems, and through its Miltec Corporation (Miltec) subsidiary, provides engineering, technical and program management services (including design, development, integration and test of prototype products) principally for the aerospace and military markets. The significant accounting policies of the Company and its two business segments are the same except as described below.

Revenue Recognition

Except for the Company s Miltec subsidiary, the Company recognizes revenue when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection is reasonably assured and delivery of products has occurred or services have been rendered. Revenue from products sold under long-term contracts is recognized by the Company on the same basis as other sale transactions. The Company recognizes revenue on the sale of services (including prototype products) by its Miltec

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subsidiary based on the type of contract: time and materials, cost-plus reimbursement and firm-fixed price. Revenue is recognized by Miltec (i) on time and materials contracts as time is spent at hourly rates, which are negotiated with customers, plus the cost of any allowable materials and out-of-pocket expenses, (ii) on cost-plus reimbursement contracts based on direct and indirect costs incurred plus a negotiated profit calculated as a percentage of cost, a fixed amount or a performance-based award fee, and (iii) on fixed-price contracts on the percentage-of-completion method measured by the percentage of costs incurred to estimated total costs.

Goodwill

The Company's business acquisitions have resulted in goodwill. Goodwill is not amortized but is subject to impairment tests on an annual basis in the fourth quarter and between annual tests, in certain circumstances, when events indicate an impairment may have occurred. Goodwill is tested for impairment utilizing a two-step method. In the first step, the Company determines the fair value of the reporting unit using expected future discounted cash flows and other market valuation approaches, requiring management to make estimates and assumptions about the reporting unit's future prospects. If the net book value of the reporting unit exceeds the fair value, the Company would then perform the second step of the impairment test which requires fair valuation of all the reporting unit's assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. This residual fair value of goodwill is then compared to the carrying amount to determine impairment. An impairment charge will be recognized only when the implied fair value of a reporting unit, including goodwill, is less than its carrying amount.

Other Intangible Assets

The Company amortizes purchased other intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets, ranging from one to fourteen years. The value of other intangibles acquired through business combinations has been estimated using present value techniques which involve estimates of future cash flows. Actual results could vary, potentially resulting in impairment charges.

Accounting for Stock-Based Compensation

Effective January 1, 2006, the Company began recognizing compensation expense for share-based payment transactions in the financial statements at their fair value. The expense is measured at the grant date, based on the calculated fair value of the share-based award, and is recognized over the

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requisite service period (generally the vesting period of the equity award). Prior to January 1, 2006, the Company accounted for share-based compensation based upon the intrinsic value of options at the grant date. The transition to fair value was accounted for using the modified prospective method. Therefore, financial statement amounts for prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of recognizing compensation cost relating to stock options.

Prior to January 1, 2006, the Company presented all benefits of tax deductions resulting from the exercise of share-based compensation as operating cash flows in the statements of cash flows. Prospectively, the benefits of tax deductions in excess of the compensation cost recognized for stock options (excess tax benefits) are classified as financing cash flows. Excess tax benefits reflected as a financing cash inflow totaled \$182,000 during the first nine months ended September 30, 2006. Income tax benefits reflected as an operating cash inflow totaled \$319,000 during the first nine months ended September 30, 2006.

Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding in each period. Diluted earnings per share is computed by dividing income available to common shareholders plus income associated with dilutive securities by the weighted average number of common shares outstanding plus any potential dilutive shares that could be issued if exercised or converted into common stock in each period. For the three months ended September 30, 2006 and October 1, 2005, income available to common shareholders was \$4,099,000 and \$4,315,000, respectively. The weighted average number of common shares outstanding for the three months ended September 30, 2006 and October 1, 2005 were 10,231,000 and 10,069,000, respectively; the dilutive shares associated with stock options were 61,000 and 153,000, respectively. For the nine months ended September 30, 2006 and October 1, 2005, income available to common shareholders was \$10,029,000 and \$12,471,000, respectively. The weighted average number of common shares outstanding for the nine months ended September 30, 2006 and October 1, 2005 were 10,195,000 and 10,058,000; and the dilutive shares associated with stock options were 92,000 and 133,000, respectively. For the three months ended September 30, 2006 and October 1, 2005 the number of shares not included in the calculations because the impact would have been antidilutive was 632,000 and 48,000, respectively; and for the nine months ended September 30, 2006 and October 1, 2005 the number of shares not included in the calculation because the impact would have been antidilutive was 523,000 and 246,000, respectively.

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Comprehensive Income

Certain items such as foreign currency translation adjustments, unrealized gains and losses on certain investments in debt and equity securities and minimum pension liability adjustments are presented as separate components of shareholders' equity. The current period change in these items is defined as other comprehensive income and separately reported in the financial statements. Accumulated other comprehensive loss, as reflected in the Consolidated Balance Sheets under the equity section, is comprised of a minimum pension liability adjustment of \$2,700,000, net of tax, at September 30, 2006 and December 31, 2005.

Recent Accounting Pronouncements

On September 15, 2006, the Financial Accounting Standards Board (FASB or the Board) issued FASB Statement No. 157, *Fair Value Measurements* (SFAS No. 157), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles (GAAP). As a result of SFAS No. 157 there is now a common definition of fair value to be used throughout GAAP. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable. 2011

2010

Net sales

\$

151.5

\$

143.2

Operating profit (See Note 16 to the Consolidated Financial Statements)

11.8

11.7

Operating profit as a percentage of net sales

7.8

%

8.2

%

Second quarter 2011 net sales for our pressure sensitive materials business segment increased 5.8 percent from the second quarter of 2010. Currency effects increased net sales by 5.7 percent. The impact of lower unit sales volumes on net sales was offset by higher selling prices. Operating profit as a percentage of net sales decreased to 7.8 percent for the second quarter of 2011 from 8.2 percent for the second quarter of 2010.

Consolidated Gross Profit

(dollars in millions)	2011		2010	
Gross profit	\$	238.0	\$	234.0
Gross profit as a percentage of net sales		17.4%		18.4%

Gross profit as a percentage of net sales decreased from the same period of 2010 primarily reflecting the negative impact of the increasing raw material cost environment in 2011. Gross profit for the second quarter of 2010 included a charge of \$3.5 million related to purchase accounting charges for inventory.

Consolidated Selling, General and Administrative Expenses

(dollars in millions)	2011	2010
Selling, general and administrative expenses (SG&A)	\$ 126.7	\$ 116.4
SG&A as a percentage of net sales	9.2%	9.2%

The increase in selling, general, and administrative expenses is principally due to the impact of both inflation and currency on costs incurred.

Other (Income) Expense, Net

(dollars in millions)	2011	2010
Research and development (R&D)	\$ 10.0	\$ 8.7
R&D as a percentage of net sales	0.7%	0.7%
Interest expense	\$ 18.1	\$ 18.5
Effective interest rate	5.0%	4.9%
Other operating (income) expense, net	\$ (4.1)	\$ (3.6)
Other non-operating (income) expense, net	\$ (0.3)	\$ 0.8
Income taxes	\$ 32.0	\$ 33.5
Effective tax rate	36.5%	36.0%

Other Operating (Income) Expense, Net

For the second quarter of 2011, other operating (income) expense, net, included \$5.4 million of fiscal incentive income, an increase of \$1.2 million compared to \$4.2 million for the second quarter of 2010. Fiscal incentives are associated with net sales and manufacturing activities in certain South American operations and are included in business segment operating profit.

Income Taxes

The difference between our overall tax rate and the U.S. statutory tax rate of 35.0 percent in each period principally relates to state and local income taxes net of federal income tax benefits. We expect the effective tax rate for the total year 2011 to be about 36.5 percent.

Results of Operations Six Months Ended June 30, 2011

Consolidated Overview

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(in millions, except per share amounts)	2011	2010
Net sales	\$ 2,694.6	\$ 2,291.9
Income from continuing operations, net of tax, attributable to Bemis Company, Inc.	105.5	87.8
Diluted earnings per share from continuing operations	0.98	0.79

Net sales for the six months ended June 30, 2011 increased 17.6 percent compared to net sales for the first six months of 2010. We estimate that acquisitions increased net sales by approximately 8.5 percent. Compared to the same period of 2010, currency effects increased net sales by 2.5 percent in the first six months of 2010. The remaining increase in net sales reflects both higher selling prices and increased unit sales volume.

Performance for the first half of 2011 was negatively impacted by increases in the cost of specialty resin raw materials which began in the fourth quarter of 2010. Results for 2010 included \$0.09 of charges associated with purchase accounting adjustments for inventory and order backlog, \$0.08 of acquisition-related legal, accounting, and other professional fees, \$0.04 of acquisition-related integration costs, and \$0.06 of acquisition-related financing costs incurred before the transaction was completed.

Flexible Packaging Business Segment

(dollars in millions)	2011	2010
Net sales	\$ 2,398.0	\$ 2,008.4
Operating profit (See Note 16 to the Consolidated Financial Statements)	232.6	215.0
Operating profit as a percentage of net sales	9.7%	10.7%

Net sales for our flexible packaging business segment for the first six months of 2011 increased 19.4 percent compared to the same period of 2010. Currency effects increased net sales by 2.5 percent in the first six months of 2011. Acquisitions increased net sales by approximately 10 percent compared to the first six months of 2010. The remaining growth in net sales reflects higher selling prices and modest improvement in unit sales volume during the period.

Operating profit from the flexible packaging business segment increased 8.2 percent during the first six months of 2011 compared to the same period of 2010. Operating profit for 2010 included \$15.4 million of purchase accounting adjustments for inventory and order backlog in addition to a \$3.9 million charge for acquisition-related integration costs, which included severance costs for workforce reductions and equipment relocation costs. Operating profit as a percentage of net sales in the first six months of 2011 reflected the impact of an increasing raw material cost environment.

Pressure Sensitive Materials Business Segment

(dollars in millions)	2011		2010	
Net sales	\$	296.6	\$	283.5
Operating profit (See Note 16 to the Consolidated Financial Statements)		21.7		18.3
Operating profit as a percentage of net sales		7.3%		6.5%

Net sales for the pressure sensitive materials business segment increased 4.6 percent to \$296.6 million during the first six months of 2011 compared to the same period of 2010. Currency effects increased net sales by 3.0 percent in the first six months of 2011. Excluding the effects of currency, the increase in net sales reflects increased selling prices partially offset by lower unit sales volumes.

Consolidated Gross Profit

(dollars in millions)	2011		2010	
Gross profit	\$	467.8	\$	419.8
Gross profit as a percentage of net sales		17.4%		18.3%

Gross profit as a percentage of net sales decreased from the same period of 2010 primarily reflecting the impact of the increasing raw material cost environment in 2011. Gross profit for the first six months of 2010 included a charge of \$15.4 million related to purchase accounting charges for inventory and order backlog.

Consolidated Selling, General and Administrative Expenses

(dollars in millions)	2011		2010	
Selling, general and administrative expenses (SG&A)	\$	252.9	\$	223.4
SG&A as a percentage of net sales		9.4%		9.7%

Selling, general, and administrative expenses increased 13.2 percent for the six months ended June 30, 2011 compared to the same period of 2010. The increase in costs is attributable to the impact of both inflation and currency, as well as the additional two months of costs associated with the March 1, 2010 Alcan Packaging Food Americas acquisition.

Other (Income) Expense, Net

(dollars in millions)	2011		2010	
Research and development (R&D)	\$	17.6	\$	14.4
R&D as a percentage of net sales		0.7%		0.6%
Interest expense	\$	36.4	\$	36.7
Effective interest rate		5.3%		5.4%
Other operating (income) expense, net	\$	(11.1)	\$	4.8
Other non-operating (income) expense, net	\$	1.4	\$	(2.2)
Income taxes	\$	62.3	\$	51.4
Effective tax rate		36.5%		36.0%

Other Operating (Income) Expense, Net

For the six months ended June 30, 2011, other operating (income) expense, net, included \$10.8 million of fiscal incentive income, an increase of \$2.9 million compared to \$7.9 million for the first six months of 2010.

Other Non-operating (Income) Expense, Net

During the first six months of 2011, Other non-operating (income) expense, net, included foreign exchange loss of \$1.9 million, while the same period of 2010 included \$1.3 million of foreign exchange gain, primarily due to currency fluctuations on financing arrangements for the foreign operations acquired in the Alcan Packaging Food Americas acquisition.

Income Taxes

The difference between our overall tax rate and the U.S. statutory tax rate of 35.0 percent in each period principally relates to state and local income taxes net of federal income tax benefits. We expect the effective tax rate for the total year 2011 to be about 36.5 percent.

Liquidity and Capital Resources

Net Debt to Total Capitalization

Net debt to total capitalization (which includes total debt net of cash and cash equivalents on hand and total Bemis Company, Inc. stockholders equity) was 42 percent at June 30, 2011. Net debt to total capitalization was 39 percent at December 31, 2010. Total debt at June 30, 2011 increased by \$196.1 million from the balance at December 31, 2010. Higher raw materials costs led to increased inventory values and higher selling prices which increased accounts receivable in the first six months of 2011. The increase in debt reflects the use of cash to support these higher levels of working capital, as well as the open market purchase of 3.8 million shares of Bemis Company, Inc. common stock. The remaining share repurchase authorization as of June 30, 2011 was 5.7 million shares.

Sources of Liquidity

Cash provided by operating activities was \$82.0 million for the first six months of 2011, compared to \$128.7 million for the first six months of 2010. Working capital increased by \$153.5 million during the first six months of 2011 primarily reflecting the impact of increased raw material costs and higher selling prices.

As of June 30, 2011, we had a total of \$625.0 million in a revolving credit facility. This credit facility is used principally as back-up for our commercial paper program. As of June 30, 2011, there was \$347.2 million of debt outstanding supported by this credit facility, leaving \$277.8 million of available credit. Cash flows from operating activities are expected to continue to provide sufficient liquidity to meet future cash obligations. On July 21, 2011, we amended our credit facility to increase the total amount available from \$625 million to \$800 million and to extend the term from April 29, 2013 to July 21, 2016.

Public bonds totaling \$300 million are scheduled to mature on April 1, 2012. These bonds have been classified as long term debt on the June 30, 2011 balance sheet in accordance with our ability and intent to refinance these bonds with commercial paper.

Uses of Liquidity

Capital expenditures were \$61.3 million for the six months ended June 30, 2011, compared to \$39.3 million for the same period of 2010. Lower expenditures in 2010 reflect reduced 2010 capital expenditure requirements during our Alcan Packaging Food Americas acquisition integration process. Cash flow from operating activities during the first six months of 2011 also supported \$51.7 million of common stock dividend payments and \$123.1 million of opportunistic share repurchases.

Critical Accounting Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to retirement benefits, intangible assets, goodwill, and expected future performance of operations. Our estimates and judgments are based upon historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. These critical accounting estimates are discussed in detail in Management's Discussion and Analysis Critical Accounting Estimates and Judgments in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain estimates, predictions, and other forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). Forward-looking statements are generally identified with the words believe, expect, anticipate, intend, estimate, target, may, will, plan, project, should, continue, or the negative thereof or other similar expressions of future goals or aspirations, which are predictions of or indicate future events and trends and which do not relate to historical matters. Such statements are based on information available to management as of the time of such statements and relate to, among other things, expectations of the business environment in which we operate, projections of future performance (financial and otherwise), including those of acquired companies, perceived opportunities in the market and statements regarding our mission and vision. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Factors that could cause actual results to differ from those expected include, but are not limited to, general economic conditions caused by inflation, interest rates, consumer confidence, rates of unemployment and foreign currency exchange rates; investment performance of assets in our pension plans; competitive conditions within our markets, including the acceptance of our new and existing products; customer contract bidding activity; threats or challenges to our patented or proprietary technologies; raw material costs, availability, and terms, particularly for polymer resins and adhesives; price changes for raw materials and our ability to pass these price changes on to our customers or otherwise manage commodity price fluctuation risks; unexpected energy surcharges; broad changes in customer order patterns; our ability to achieve expected cost savings associated with cost management initiatives; the presence of adequate cash available for investment in our business in order to maintain desired debt levels; a failure in our information technology infrastructure or applications; changes in

governmental regulation, especially in the areas of environmental, health and safety matters, fiscal incentives, and foreign investment; unexpected outcomes in our current and future administrative and litigation proceedings; unexpected outcomes in our current and future tax proceedings; changes in domestic and international tax laws; costs associated with the pursuit of business combinations; unexpected costs associated with the integration of acquired businesses; changes in our labor relations; and the impact of changes in the world political environment including threatened or actual armed conflict. These and other risks, uncertainties, and assumptions identified from time to time in our filings with the Securities and Exchange Commission, including without limitation, our Annual Report on Form 10-K for the year ended December 31, 2010 and our quarterly reports on Form 10-Q, could cause actual future results to differ materially from those projected in the forward-looking statements. In addition, actual future results could differ materially from those projected in the forward-looking statement as a result of changes in the assumptions used in making such forward-looking statement.

Explanation of Terms Describing the Company's Products

Barrier laminate A multilayer plastic film made by laminating two or more films together with the use of adhesive or a molten plastic to achieve a barrier for the planned package contents.

Barrier products Products that provide protection and extend the shelf life of the contents of the package. These products provide this protection by combining different types of plastics and additives into a multilayered plastic package. These products protect the contents from such things as oxygen, moisture, light, odor, or other environmental factors.

Blown film A plastic film that is extruded through an annular die in the form of a tube and then expanded by an internal column of air in the manufacturing process.

Bundling films A film manufactured by a modified blown film process that is used for wrapping and holding multipacks of products such as canned goods and bottles of liquids, replacing corrugate and fiberboard.

Cast film A plastic film that is extruded through a straight slot die as a flat sheet during its manufacturing process.

Coextruded film A blown or cast film extruded with multiple layers extruded simultaneously.

Controlled atmosphere packaging A package which limits the flow of elements, such as oxygen, carbon dioxide or moisture, into or out of the package.

Crystallized Polyester (PET) CPET. The process of using a combination of formulated resin blends and thermoforming conditions to increase the crystallinity of PET trays, which increases the heat distortion temperature of the trays to 450 degrees Fahrenheit. This allows foods packaged in these trays to go directly from freezer to oven for heating of the food.

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EZ Open Packaging Any one of a series of technologies employed to allow the consumer easy access to a packaged product. Peelable closures, laser or other physical scoring/abrasion of a packaging film may be used. EZ Open can be combined with reclose features such as plastic zippers or the inclusion of pressure sensitive materials into the packaging film.

Flexible polymer film A non-rigid plastic film. Generally the shape of the package changes as the product contained in it is removed.

Flexographic printing The most common flexible packaging printing process in North America using a raised rubber or alternative material image mounted on a printing cylinder.

Graphic products Pressure sensitive materials used for decorative signage, promotional items and displays, and advertisements.

In-line overlamination The ability to add a protective coating to a printed material during the printing process.

IWS Individually Wrapped Slices. A term used to describe individually wrapped slices of process cheese foods.

IWS Inner Wrap The plastic film used to wrap each slice of process cheese. Typically, these films are cast coextrusions of polypropylene resins.

Label products Pressure sensitive materials made up and sold in roll form.

Labelstock Pressure sensitive material designed for the label markets.

Laminate/Barrier laminate A multilayer plastic film made by laminating two or more films together with the use of adhesive or a molten plastic to achieve the distribution and use requirements for the planned package contents. Alternately, a barrier layer can also be included as one of the films or in the laminating medium to protect the packaged products from such things as moisture, oxygen or other environmental factors.

Liner or Inner Liner Films A multilayer coextruded film that is used as the inner liner for bag-in-box packaging applications for products such as cereal or crackers. The films typically are comprised of high density polyethylenes and may contain barrier resins such as EVOH or nylon.

Modified atmosphere packaging A package in which the normal atmospheric composition of air inside the package has been modified by replacing it with a gas such as nitrogen.

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Monolayer film A single layer extruded plastic film.

Multiwall paper bag A package made from two or more layers, at least one of which is paper, which have not been laminated.

Pouches and bags An option that delivers a semi-finished package, instead of rollstock, to a customer for filling product and sealing/closing the package for distribution.

Pressure sensitive material A material coated with adhesive such that upon contact with another material it will stick.

Prime label A pressure sensitive label used as the primary decorative label or secondary label, typically on a consumer product.

Retort A food processing technique in which the food product is placed in a package and then thermally treated (in the range of 250 degrees Fahrenheit) to extend the food product's shelf life under room temperature storage conditions. High oxygen and moisture barrier flexible or rigid packaging materials can be used for the primary package.

Rigid Packaging A form of packaging in which the shape of the package is retained as its contents are removed in use. Bottles, trays and clamshell packaging are examples.

Rollstock The principal form in which flexible packaging material is delivered to a customer. Finished film wound on a core is converted in a process at the end user's plant that forms, fills, and seals the package of product for delivery to customers.

Rotogravure printing A high quality, long run printing process utilizing a metal engraved cylinder.

Sheet products Pressure sensitive materials cut into sheets and sold in sheet form.

Shrink film/ Barrier shrink film A packaging film consisting of polyethylene and/or polypropylene resins extruded via a tubular process. The film is cooled and then reheated and stretched at a temperature near its melting point. The film can be irradiated with an electron beam in a second process to cross link the molecules for added heat resistance and strength. The film is made to shrink around a product to be packaged by an application of a thermal treatment. Alternately, a layer of an oxygen barrier material can be included to manufacture a barrier shrink film product.

Stretch film A plastic film with a significant ability to stretch which is used to wrap pallets of goods in the shipping process.

Technical products Technically engineered pressure sensitive materials used primarily for fastening and mounting functions, for example in cell phones, appliances, and electronic devices.

Thermoformed plastic packaging A package formed by applying heat to a film to shape it into a tray or cavity and then sealing a flat film on top of the package after it has been filled.

UV inhibitors Chemical agents included in a film to protect products against ultraviolet rays.

Variable information label A pressure sensitive label that is typically printed with a bar code or other type of variable information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the six month period ended June 30, 2011. For additional information, refer to Note 7 to the Consolidated Financial Statements and to Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, under the direction, supervision, and involvement of the Chief Executive Officer and the Chief Financial Officer, has carried out an evaluation, as of the end of the period covered by this report, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) of the Company. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that disclosure controls and procedures in place at the Company are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There were no changes in the Company's internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The material set forth in Note 15 of the Notes to Consolidated Financial Statements is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The following factor, as well as factors described elsewhere in this Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2010, or in other filings by the Company with the Securities and Exchange Commission, could adversely affect the Company's consolidated financial position, results of operations or cash flows. Other factors not presently known to us or that we presently believe are not material could also affect our business operations and financial results.

Interest rates An increase in interest rates could reduce our reported results of operations.

At June 30, 2011, our variable rate borrowings approximated \$347.2 million. Fluctuations in interest rates can increase borrowing costs and have an adverse impact on results of operations. Accordingly, increases in short-term interest rates will directly impact the amount of interest we pay. For each one percent increase in variable interest rates, our annual interest expense would increase by \$3.5 million on the \$347.2 million of variable rate borrowings outstanding as of June 30, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
April 1-30, 2011	674,058	\$ 32.28	674,058	
May 1-31, 2011	699,700	\$ 32.13	699,700	
June 1-30, 2011	764,431	\$ 32.12	764,431	
Total		\$ 32.18	2,138,189	5,729,880

During the second quarter, the Company repurchased 2,138,189 shares of Bemis common stock in the open market at an average purchase price of \$32.18 per share. On November 4, 2010, the Board of Directors increased the authority to repurchase the Company's common stock to a total of ten million shares. As of June 30, 2011, under authority granted by the Board of Directors, the Company had authorization to repurchase an additional 5,729,880 shares of its common stock.

ITEM 6. EXHIBITS

The Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BEMIS COMPANY, INC.

Date August 9, 2011

/s/ Scott B. Ullem
Scott B. Ullem, Vice President and
Chief Financial Officer

Date August 9, 2011

/s/ Jerry S. Krempa
Jerry S. Krempa, Vice President
and Controller

Exhibit Index

Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties thereto. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

Exhibit	Description	Form of Filing
3(a)	Restated Articles of Incorporation of the Registrant, as amended. (1)	Incorporated by Reference
3(b)	By-Laws of the Registrant, as amended through February 4, 2011. (2)	Incorporated by Reference
4(a)	Form of Indenture dated as of June 15, 1995, between the Registrant and U.S. Bank Trust National Association (formerly known as First Trust National Association), as Trustee. Copies of constituent instruments defining rights of holders of long-term debt of the Company and Subsidiaries, other than the Indenture specified herein, are not filed herewith, pursuant to Instruction (b)(4)(iii)(A) to Item 601 of Regulation S-K, because the total amount of securities Authorized under any such instrument does not exceed 10% of the total assets of the Company and Subsidiaries on a consolidated basis. The registrant hereby agrees that it will, upon request by the SEC, furnish to the SEC a copy of each such instrument. (3)	Incorporated by Reference
19	Reports Furnished to Security Holders.	Filed Electronically
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO.	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO.	Filed Electronically
32	Section 1350 Certification of CEO and CFO.	Filed Electronically
101	The following materials from Bemis Company, Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL: (i) Consolidated Statement of Income for the three and six months ended June 30, 2011 and 2010; (ii) Consolidated Balance Sheet at June 30, 2011 and December 31, 2010; (iii) Consolidated Statement of Cash Flows for the six months ended June 30, 2011 and 2010; (iv) Consolidated Statement of Equity for the six months ended June 30, 2011 and 2010; and (v) Notes to the Consolidated Financial Statements.	Filed Electronically

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- (1) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (File No. 1-5277).
(2) Incorporated by reference to the Registrant s Form 8-K filed February 10, 2011 (File No. 1-5277).
(3) Incorporated by reference to the Registrant s Current Report on Form 8-K dated June 30, 1995 (Filed No. 1-5277).