

GLATFELTER P H CO  
Form 10-Q  
July 31, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2018

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

N/A

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

Edgar Filing: GLATFELTER P H CO - Form 10-Q

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, a small reporting company or emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company” and “emerging growth 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)	
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 25, 2018 totaled 43,779,112 shares.

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

REPORT ON FORM 10-Q

For the QUARTERLY PERIOD ENDED

June 30, 2018

Table of Contents

Page Page

PART I - FINANCIAL INFORMATION

Item 1	<u>Financial Statements</u>	
	<u>Condensed Consolidated</u>	
	<u>Statements of Income for the</u>	
	<u>three months and six months</u>	
	<u>ended June 30, 2018 and 2017</u>	
	<u>(unaudited)</u>	2
	<u>Condensed Consolidated</u>	
	<u>Statements of Comprehensive</u>	
	<u>Income for the three months and</u>	
	<u>six months ended June 30, 2018</u>	
	<u>and 2017 (unaudited)</u>	3
	<u>Condensed Consolidated</u>	
	<u>Balance Sheets as of June 30,</u>	
	<u>2018 and December 31, 2017</u>	
	<u>(unaudited)</u>	4
	<u>Condensed Consolidated</u>	
	<u>Statements of Cash Flows for</u>	
	<u>the six months ended June 30,</u>	
	<u>2018 and 2017 (unaudited)</u>	5
	<u>Notes to Condensed</u>	
	<u>Consolidated Financial</u>	
	<u>Statements (unaudited)</u>	6
	1. <u>Organization</u>	6
	2. <u>Accounting</u>	
	<u>Policies</u>	6
	3. <u>Proposed</u>	
	<u>Acquisition</u>	7
	4. <u>Revenue</u>	8
	5. <u>Gain on</u>	8
	<u>Disposition of</u>	

	<u>Plant, Equipment and Timberlands</u>	
6.	<u>Earnings Per Share</u>	9
7.	<u>Accumulated Other Comprehensive Income</u>	10
8.	<u>Income Taxes</u>	12
9.	<u>Stock-based Compensation</u>	13
10.	<u>Retirement Plans and Other Post- Retirement Benefits</u>	14
11.	<u>Inventories Capitalized</u>	14
12.	<u>Interest</u>	14
13.	<u>Long-term Debt</u>	14
14.	<u>Fair Value of Financial Instruments</u>	16
15.	<u>Financial Derivatives and Hedging Activities</u>	16
16.	<u>Commitments, Contingencies and Legal Proceedings</u>	17
17.	<u>Segment Information</u>	21
18.	<u>Condensed Consolidating Financial Statements</u>	22
Item 2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	27
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risks</u>	37
Item 4	<u>Controls and Procedures</u>	37
	<u>PART II – OTHER INFORMATION</u>	38

Item 6 <u>Exhibits</u>	38
<u>SIGNATURES</u>	38

## PART I

## Item 1 – Financial Statements

## P. H. GLATFELTER COMPANY AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

In thousands, except per share	Three months ended		Six months ended	
	June 30 2018	2017	June 30 2018	2017
Net sales	\$405,773	\$387,342	\$816,420	\$778,055
Energy and related sales, net	944	981	2,372	2,110
Total revenues	406,717	388,323	818,792	780,165
Costs of products sold	385,114	358,588	748,283	694,801
Gross profit	21,603	29,735	70,509	85,364
Selling, general and administrative expenses	31,561	31,545	68,624	66,422
Gains on dispositions of plant, equipment and timberlands, net	(579 )	(58 )	(2,133 )	(26 )
Operating income (loss)	(9,379 )	(1,752 )	4,018	18,968
Non-operating income (expense)				
Interest expense	(5,814 )	(4,476 )	(11,009 )	(8,484 )
Interest income	26	45	80	158
Other, net	(257 )	98	(28 )	910
Total non-operating expense	(6,045 )	(4,333 )	(10,957 )	(7,416 )
Income (loss) before income taxes	(15,424 )	(6,085 )	(6,939 )	11,552
Income tax provision (benefit)	(8,025 )	(371 )	(5,256 )	5,663
Net income (loss)	\$(7,399 )	\$(5,714 )	\$(1,683 )	\$5,889
Earnings (loss) per share				
Basic	\$(0.17 )	\$(0.13 )	\$(0.04 )	\$0.14
Diluted	(0.17 )	(0.13 )	(0.04 )	0.13
Cash dividends declared per common share	\$0.13	\$0.13	\$0.26	\$0.26
Weighted average shares outstanding				
Basic	43,770	43,604	43,735	43,593
Diluted	43,770	43,604	43,735	44,449

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

GLATFELTER

06.30.18 Form 10-Q

---

## P. H. GLATFELTER COMPANY AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
In thousands	2018	2017	2018	2017
Net income (loss)	\$(7,399 )	\$(5,714 )	\$(1,683 )	\$5,889
Foreign currency translation adjustments	(33,223)	27,504	(20,476)	33,569
Net change in:				
Deferred losses on cash flow hedges, net of taxes of \$(1,719), \$1,632, \$(1,632) and \$1,920, respectively	4,549	(3,651 )	2,747	(4,597 )
Unrecognized retirement obligations, net of taxes of \$(965), \$(1,430), \$(1,942) and \$(2,678), respectively	3,021	2,479	6,096	4,553
Other comprehensive income (loss)	(25,653)	26,332	(11,633)	33,525
Comprehensive income (loss)	\$(33,052)	\$20,618	\$(13,316)	\$39,414

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

- 3 -

GLATFELTER

06.30.18 Form 10-Q



## P. H. GLATFELTER COMPANY AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	June 30	December 31
In thousands	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 107,189	\$ 116,219
Accounts receivable, net	188,099	174,154
Inventories	270,995	252,064
Prepaid expenses and other current assets	38,042	42,534
Total current assets	604,325	584,971
Plant, equipment and timberlands, net	844,467	865,743
Goodwill	80,450	82,744
Intangible assets, net	54,752	58,859
Other assets	153,103	138,478
Total assets	\$ 1,737,097	\$ 1,730,795
<b>Liabilities and Shareholders' Equity</b>		
Current portion of long-term debt	\$ 10,982	\$ 11,298
Accounts payable	193,138	190,478
Dividends payable	5,696	5,678
Environmental liabilities	26,000	28,500
Other current liabilities	101,059	111,222
Total current liabilities	336,875	347,176
Long-term debt	510,177	470,098
Deferred income taxes	76,064	83,571
Other long-term liabilities	127,029	121,022
Total liabilities	1,050,145	1,021,867
Commitments and contingencies	—	—
<b>Shareholders' equity</b>		
Common stock	544	544
Capital in excess of par value	62,827	62,594
Retained earnings	957,643	948,411
Accumulated other comprehensive loss	(174,606 )	(140,675 )
	846,408	870,874
Less cost of common stock in treasury	(159,456 )	(161,946 )
Total shareholders' equity	686,952	708,928
Total liabilities and shareholders' equity	\$ 1,737,097	\$ 1,730,795

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

- 4 -

GLATFELTER

06.30.18 Form 10-Q

---

## P. H. GLATFELTER COMPANY AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six months ended	
In thousands	June 30 2018	2017
<b>Operating activities</b>		
Net income (loss)	\$(1,683 )	\$5,889
Adjustments to reconcile to net cash provided by operations:		
Depreciation, depletion and amortization	39,511	34,967
Amortization of debt issue costs and original issue discount	580	578
Pension expense, net of unfunded benefits paid	2,788	2,512
Deferred income tax benefit (provision)	(12,268)	1,824
Gains on dispositions of plant, equipment and timberlands, net	(2,133 )	(26 )
Share-based compensation	3,830	2,956
Change in operating assets and liabilities		
Accounts receivable	(16,606)	(12,511)
Inventories	(23,352)	(4,750 )
Prepaid and other current assets	(506 )	(1,711 )
Accounts payable	14,679	7,044
Accruals and other current liabilities	(3,799 )	(6,399 )
Other	(1,003 )	(1,609 )
Net cash provided by operating activities	38	28,764
<b>Investing activities</b>		
Expenditures for purchases of plant, equipment and timberlands	(36,944)	(71,047)
Proceeds from disposals of plant, equipment and timberlands, net	2,384	83
Other	(68 )	—
Net cash used by investing activities	(34,628)	(70,964)
<b>Financing activities</b>		
Net borrowings under revolving credit facility	46,660	68,236
Repayment of term loans	(5,647 )	(4,528 )
Payments of dividends	(11,368)	(11,130)