

Neenah Paper Inc  
Form 10-Q  
November 07, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(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, 2013

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: 001-32240

## NEENAH PAPER, INC.

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-1308307**

(I.R.S. Employer  
Identification No.)

**3460 Preston Ridge Road**

**Alpharetta, Georgia**

(Address of principal executive offices)

**30005**

(Zip Code)

**(678) 566-6500**

(Registrant's telephone number, including area code)

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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 ☒

As of October 25, 2013, there were 16,200,000 shares of the Company's common stock outstanding.



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(In millions, except share and per share data)

(Unaudited)

	Three Months Ended September 30, 2013		2012		Nine Months Ended September 30, 2013		2012	
<b>Net sales</b>	\$	214.1	\$	206.3	\$	639.6	\$	616.2
Cost of products sold		177.0		170.6		516.2		494.8
<b>Gross profit</b>		37.1		35.7		123.4		121.4
Selling, general and administrative expenses		19.8		18.5		60.0		57.1
Integration/restructuring costs (Note 3)		0.4		0.3		0.6		4.7
SERP settlement charge (Note 7)						0.2		3.5
Loss on early extinguishment of debt						0.5		0.2
Other expense - net		0.5		0.6		0.9		1.4
<b>Operating income</b>		16.4		16.3		61.2		54.5
Interest expense - net		2.6		3.3		8.3		10.4
<b>Income from continuing operations before income taxes</b>		13.8		13.0		52.9		44.1
Provision for income taxes		2.4		3.8		16.6		13.3
<b>Income from continuing operations</b>		11.4		9.2		36.3		30.8
Income (loss) from discontinued operations, net of income taxes (Note 12)				(0.1)		2.6		(0.1)
<b>Net income</b>	\$	11.4	\$	9.1	\$	38.9	\$	30.7
<b>Earnings Per Common Share</b>								
Basic								
Continuing operations	\$	0.69	\$	0.56	\$	2.22	\$	1.90
Discontinued operations						0.16		
	\$	0.69	\$	0.56	\$	2.38	\$	1.90
Diluted								
Continuing operations	\$	0.68	\$	0.55	\$	2.18	\$	1.87
Discontinued operations						0.16		
	\$	0.68	\$	0.55	\$	2.34	\$	1.87
<b>Weighted Average Common Shares Outstanding (in thousands)</b>								
Basic		16,089		15,828		16,016		15,655
Diluted		16,469		16,145		16,338		15,982
<b>Cash Dividends Declared Per Share of Common Stock</b>								
	\$	0.20	\$	0.12	\$	0.50	\$	0.36

See Notes to Condensed Consolidated Financial Statements

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**NEENAH PAPER, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions)

(Unaudited)

	Three Months Ended September 30,		2012		Nine Months Ended September 30,		2012	
	2013		2012		2013		2012	
<b>Net income</b>	\$	11.4	\$	9.1	\$	38.9	\$	30.7
Unrealized foreign currency translation gain (loss)		7.2		6.2		4.8		(0.8)
Net gain from adjustments to pension and other postretirement benefit liabilities						6.6		1.1
Reclassification of amortization of adjustments to pension and other postretirement benefit liabilities recognized in net periodic benefit cost (Note 4)		1.6		1.2		4.9		3.7
SERP settlement charge						0.2		3.5
Curtailment loss								0.3
Unrealized gain (loss) on available-for-sale securities						(0.1)		0.1
<b>Income from other comprehensive income items</b>		8.8		7.4		16.4		7.9
Provision for income taxes		0.6		0.4		4.4		3.3
<b>Other comprehensive income</b>		8.2		7.0		12.0		4.6
<b>Comprehensive income</b>	\$	19.6	\$	16.1	\$	50.9	\$	35.3

See Notes to Condensed Consolidated Financial Statements

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**NEENAH PAPER, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions)

(Unaudited)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 48.2	\$ 7.8
Accounts receivable (less allowances of \$1.5 million and \$1.9 million)	100.7	79.6
Inventories	99.4	102.9
Income taxes receivable	0.6	2.5
Deferred income taxes	22.8	27.2
Prepaid and other current assets	14.7	14.1
Total Current Assets	286.4	234.1
<b>Property, Plant and Equipment, at cost</b>	<b>625.3</b>	<b>604.7</b>
Less accumulated depreciation	367.6	349.9
Property, plant and equipment net	257.7	254.8
<b>Deferred Income Taxes</b>	<b>21.4</b>	<b>35.3</b>
<b>Goodwill</b>	<b>42.3</b>	<b>41.4</b>
<b>Intangible Assets net</b>	<b>38.7</b>	<b>34.0</b>
<b>Other Assets</b>	<b>13.5</b>	<b>11.1</b>
<b>TOTAL ASSETS</b>	<b>\$ 660.0</b>	<b>\$ 610.7</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current Liabilities</b>		
Debt payable within one year	\$ 1.7	\$ 4.7
Accounts payable	41.7	35.1
Accrued expenses	48.1	47.6
Total Current Liabilities	91.5	87.4
<b>Long-term Debt</b>	<b>191.4</b>	<b>177.6</b>
<b>Deferred Income Taxes</b>	<b>15.9</b>	<b>12.5</b>
<b>Noncurrent Employee Benefits</b>	<b>113.6</b>	<b>131.1</b>
<b>Other Noncurrent Obligations</b>	<b>1.0</b>	<b>4.3</b>
<b>TOTAL LIABILITIES</b>	<b>413.4</b>	<b>412.9</b>
<b>Contingencies and Legal Matters (Note 11)</b>		
<b>Stockholders Equity</b>		
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>246.6</b>	<b>197.8</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 660.0</b>	<b>\$ 610.7</b>

See Notes to Condensed Consolidated Financial Statements



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## NEENAH PAPER, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 38.9	\$ 30.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21.8	21.8
Stock-based compensation	4.0	3.9
Excess tax benefits from stock-based compensation (Note 8)	(0.4)	(5.1)
Deferred income tax provision	13.7	8.9
Inventory acquired in acquisitions (Note 3)	(1.8)	(6.6)
SERP payment, net of settlement charge (Note 7)	(0.2)	(3.4)
Loss on early extinguishment of debt	0.5	0.2
Non-cash effects of changes in liabilities for uncertain income tax positions	(0.2)	
Loss on asset dispositions	0.4	0.2
Increase in working capital	(5.3)	(26.8)
Pension and other postretirement benefits	(5.9)	(1.3)
Other	(1.0)	(0.6)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>64.5</b>	<b>21.9</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(20.4)	(15.8)
Purchase of brands (Note 3)	(5.2)	(14.1)
Proceeds from sale of property, plant and equipment	0.6	
Decrease in restricted cash		7.0
Purchase of marketable securities		(0.1)