

MATERIAL SCIENCES CORP
Form 10-Q
October 10, 2012

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 August 31, 2012

Commission File Number 1-8803

MATERIAL SCIENCES CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2200 East Pratt Boulevard

95-2673173
(IRS employer

identification number)

60007

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Elk Grove Village, Illinois
(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code: (847) 439-2210

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, a non-accelerated filer or a smaller reporting company. See definition 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)

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 1, 2012, there were 10,222,254 outstanding shares of common stock, \$0.02 par value.

MATERIAL SCIENCES CORPORATION

FORM 10-Q

For the Quarter Ended August 31, 2012

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

(a) Condensed financial statements of Material Sciences Corporation and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands, except per share data)	Three Months Ended August 31,		Six Months Ended August 31,	
	2012	2011	2012	2011
Net Sales	\$ 29,927	\$ 34,417	\$ 64,761	\$ 70,453
Cost of Sales	23,374	26,766	49,653	53,280
Gross Profit	6,553	7,651	15,108	17,173
Selling, General and Administrative Expenses	4,985	4,726	10,443	10,276
Gain on Sale of Assets	3,216		3,216	
Restructuring Expenses		345		345
Income from Operations	4,784	2,580	7,881	6,552
Other Income, Net:				
Interest Income, Net	12	14	6	32
Equity in Results of Joint Venture	67	121	115	263
Rental Income	348	281	629	544
Other, Net	(40)	20	(34)	44
Total Other Income, Net	387	436	716	883
Income from Operations Before Provision (Benefit) for Income Taxes	5,171	3,016	8,597	7,435
Provision (Benefit) for Income Taxes	1,918	(5)	3,126	257
Net Income	\$ 3,253	\$ 3,021	\$ 5,471	\$ 7,178
Basic Net Income Per Share	\$ 0.31	\$ 0.26	\$ 0.53	\$ 0.60
Diluted Net Income Per Share	\$ 0.31	\$ 0.26	\$ 0.52	\$ 0.59
Weighted Average Number of Common Shares Outstanding Used for Basic Net Income Per Share	10,332	11,557	10,393	12,013
Dilutive Shares	119	95	117	92
Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares	10,451	11,652	10,510	12,105
Outstanding Common Stock Options Having No Dilutive Effect	407	373	412	373

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

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

Material Sciences Corporation and Subsidiaries

	Three Months Ended August 31,		Six Months Ended August 31,	
	2012	2011	2012	2011
Net Income	\$ 3,253	\$ 3,021	\$ 5,471	\$ 7,178
Other Comprehensive Income:				
Foreign Currency Translation	(92)	150	(1,036)	643
Pension/Postretirement Adjustments, Net of Benefit for Income Taxes of \$82, \$0, \$143 and \$0, Respectively	133	134	232	338
Comprehensive Income	\$ 3,294	\$ 3,305	\$ 4,667	\$ 8,159

Condensed Consolidated Balance Sheets

Material Sciences Corporation and Subsidiaries

(In thousands)	August 31, 2012 (unaudited)	February 29, 2012 (audited)
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 37,165	\$ 28,201
Receivables, Less Reserves and Allowances of \$367 and \$696, Respectively	17,853	20,136
Income Taxes Receivable	1,630	141
Prepaid Expenses	1,105	674
Inventories	21,741	20,758
Short Term Deferred Tax Assets	3,077	4,313
Total Current Assets	82,571	74,223
Property, Plant and Equipment	116,989	127,952
Accumulated Depreciation	(89,051)	(93,217)
Net Property, Plant and Equipment	27,938	34,735
Other Assets:		
Investment in Joint Venture	2,704	2,955
Long Term Deferred Tax Assets	10,984	13,024
Other	152	159
Total Other Assets	13,840	16,138
Total Assets	\$ 124,349	\$ 125,096
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 11,945	\$ 13,364
Accrued Payroll Related Expenses	2,767	3,113
Accrued Expenses	4,525	5,289
Total Current Liabilities	19,237	21,766
Long-Term Liabilities:		
Pension and Postretirement Liabilities	7,807	8,500
Long-Term Incentives	3,143	3,420
Other	3,231	3,430
Total Long-Term Liabilities	14,181	15,350
Commitments and Contingencies		
Shareowners' Equity:		
Preferred Stock		
Common Stock	381	381
Additional Paid-In Capital	80,736	80,440
Treasury Stock at Cost	(76,436)	(74,423)
Retained Earnings	89,523	84,052
Accumulated Other Comprehensive Income (Loss)	(3,273)	(2,470)

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Total Shareowners' Equity	90,931	87,980
Total Liabilities and Equity	\$ 124,349	\$ 125,096

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

Condensed Consolidated Statements of Cash Flows (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands)	Six Months Ended	
	August 31,	
	2012	2011
Cash Flows From:		
Operating Activities:		
Net Income	\$ 5,471	\$ 7,178
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation, Amortization and Accretion	2,450	2,483
Equity in Results of Joint Venture	(115)	(263)
Deferred Income Taxes	2,884	
Gain on Sales of Assets	(3,216)	
Compensatory Effect of Stock Plans	292	150
Other, Net		(42)
Changes in Assets and Liabilities:		
Receivables	2,015	5,214
Income Taxes Receivable	(1,489)	(10)
Prepaid Expenses	(429)	(565)
Inventories	(1,134)	(1,549)
Accounts Payable	(1,152)	(3,285)
Accrued Expenses	(904)	(1,023)
Other, Net	(785)	(125)
Net Cash Provided by Operating Activities		