

BEMIS CO INC
Form 10-Q
August 09, 2011

**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, 2011

Commission File Number 1-5277

BEMIS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
incorporation or organization)

**One Neenah Center
4th Floor, P.O. Box 669
Neenah, Wisconsin**
(Address of principal executive offices)

43-0178130
(I.R.S. Employer
Identification No.)

54957-0669
(Zip Code)

Registrant's telephone number, including area code: **(920) 727-4100**

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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 the definitions of large accelerated filer, accelerated filer and smaller reporting company 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. 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 August 4, 2011, the registrant had 103,409,176 shares of Common Stock, \$.10 par value, issued and outstanding.

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

The unaudited consolidated financial statements and related footnotes, enclosed as Exhibit 19 to this Form 10-Q (the Consolidated Financial Statements), are incorporated by reference into this Item 1. In the opinion of management, the financial statements reflect all adjustments necessary for a fair presentation of the financial position and the results of operations as of and for the quarter and year-to-date periods ended June 30, 2011.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Three and Six Months Ended June 30, 2011**

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

Six-month review of results (dollars in millions)	Three months ended June 30,				Six months ended June 30,			
	2011		2010		2011		2010	
Net sales	\$ 1,370.2	100.0%	\$ 1,270.2	100.0%	\$ 2,694.6	100.0%	\$ 2,291.9	100.0%
Cost of products sold	1,132.2	82.6	1,036.2	81.6	2,226.8	82.6	1,872.1	81.7
Gross profit	238.0	17.4	234.0	18.4	467.8	17.4	419.8	18.3
Selling, general, and administrative expenses	126.7	9.2	116.4	9.2	252.9	9.4	223.4	9.7
Research and development	10.0	0.7	8.7	0.7	17.6	0.7	14.4	0.6
Other operating (income) expense, net	(4.0)	(0.2)	(3.6)	(0.3)	(11.2)	(0.4)	4.7	0.2
Operating income	105.3	7.7	112.5	8.8	208.5	7.7	177.3	7.8
Interest expense	18.1	1.3	18.5	1.5	36.4	1.4	36.7	1.6
Other non-operating (income) expense, net	(0.4)	0.0	0.9	0.0	1.4	0.0	(2.2)	(0.1)
Income from continuing operations before income taxes	87.6	6.4	93.1	7.3	170.7	6.3	142.8	6.3
Provision for income taxes	32.0	2.3	33.5	2.6	62.3	2.3	51.4	2.2
Income from continuing operations	55.6	4.1	59.6	4.7	108.4	4.0	91.4	4.1
Income from discontinued operations, net of tax	0.0	0.0	2.0	0.1	0.0	0.0	2.6	0.1
Net income	55.6	4.1	61.6	4.8	108.4	4.0	94.0	4.2
Less: net income attributable to noncontrolling interests	1.3	0.1	2.0	0.1	2.9	0.1	3.6	0.2
Net income attributable to Bemis Company, Inc.	\$ 54.3	4.0%	\$ 59.6	4.7%	\$ 105.5	3.9%	\$ 90.4	4.0%
Effective income tax rate		36.5%		36.0%		36.5%		36.0%

Overview

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Bemis Company, Inc. (the Company) is a leading global manufacturer of flexible packaging and pressure sensitive materials supplying a variety of markets. Approximately 65 percent of our total company net sales are to customers in the food industry. Sales of our flexible packaging products are widely diversified among food categories and can be found in nearly every aisle of the grocery store. Our emphasis on supplying packaging to the food industry has historically provided a more stable market environment for our flexible packaging business segment, which accounted for approximately 89 percent of our net sales in the second quarter of 2011. The remaining 11 percent of net sales is from our pressure sensitive materials business segment which, while diversified in end use products, is less focused on food industry applications and more exposed to economically sensitive end markets such as advertising, housing, and automotive.

Market Conditions

The markets into which our products are sold are highly competitive. Our leading flexible packaging market positions in North and South America reflect our focus on expanding our offering of value-added, proprietary products. We also manufacture products for which our technical know-how and economies of scale offer us a competitive advantage.

The primary raw materials for our business segments are polymer resins, films and adhesives, the costs of which have been impacted in recent months by higher energy prices. During the first five months of 2011, the cost of our commodity and specialty resin raw materials increased substantially. The time lag between raw material cost increases and the subsequent adjustment of our selling prices in accordance with formulas included in our customer agreements has had a negative effect on our flexible packaging operating profit for the first half of 2011 compared to the first half of 2010.

Subsequent Events

Mayor Packaging Acquisition

On August 1, 2011, we acquired Mayor Packaging, a privately-owned manufacturer of consumer and specialty flexible packaging including a manufacturing facility in Dongguan, China. The cash purchase price paid at closing of approximately \$93 million was financed with commercial paper and is subject to customary post-closing adjustments.

Successful Completion of Dixie Toga Tender Offer

On July 8, 2011, our wholly-owned Brazilian subsidiary, Dendron Participacoes Ltda., completed a tender offer for the purchase of 38 million shares of its Brazilian subsidiary, Dixie Toga, S.A. With this purchase, we have increased our ownership from 86 percent to over 99 percent of the total issued and outstanding shares of Dixie Toga, S.A. The total cost of the purchase was approximately \$90 million.

Results of Operations – Second Quarter 2011

Consolidated Overview

(in millions, except per share amounts)	2011		2010	
Net sales	\$	1,370.2	\$	1,270.2
Income from continuing operations, net of tax, attributable to Bemis Company, Inc.		54.3		57.7
Diluted earnings per share from continuing operations		0.51		0.52

Net sales for the second quarter ended June 30, 2011, were \$1.37 billion compared to \$1.27 billion in the second quarter of 2010, an increase of 7.9 percent. Currency effects increased net sales by 3.1 percent compared to the same quarter of 2010. The remaining 4.8 percent increase in net sales reflects higher selling prices to accommodate increased raw material costs.

Diluted earnings per share for the second quarter of 2011 was \$0.51. Diluted earnings per share for the second quarter of 2010 was \$0.52 and included a \$0.04 per share charge for acquisition-related integration costs and a \$0.02 per share charge associated with purchase accounting adjustments for inventory.

Flexible Packaging Business Segment

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(dollars in millions)	2011		2010	
Net sales	\$	1,218.7	\$	1,127.0
Operating profit (See Note 16 to the Consolidated Financial Statements)		116.3		122.7
Operating profit as a percentage of net sales		9.5%		10.9%

Net sales for our flexible packaging business segment increased 8.1 percent in the second quarter of 2011. Currency effects increased net sales by 2.8 percent during the second quarter. The remaining 5.3 percent growth in net sales reflects generally higher selling prices which reflect the increased raw materials costs. Unit sales volumes during the quarter were similar to volume levels achieved in the same period of 2010.

Operating profit for the second quarter of 2011 reflects the negative short term effects of dramatic raw material cost increases that began in the fourth quarter of 2010. Operating profit for the second quarter of 2010 included a charge of \$3.5 million related to purchase accounting charges for inventory and a charge of \$3.9 million for acquisition-related costs including severance costs for workforce reduction and equipment relocation costs.

Pressure Sensitive Materials Business Segment

(dollars in millions)