

APTARGROUP INC  
Form 10-Q  
November 02, 2012  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549-1004

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

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COMMISSION FILE NUMBER 1-11846

**AptarGroup, Inc.**

DELAWARE  
(State of Incorporation)

36-3853103  
(I.R.S. Employer Identification No.)

475 WEST TERRA COTTA AVENUE, SUITE E, CRYSTAL LAKE, ILLINOIS 60014

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815-477-0424

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 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 (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

| Class                                   | Outstanding at October 29, 2012 |
|---|---------------------------------|
| Common Stock, \$.01 par value per share | 66,415,810 shares               |

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Table of Contents

AptarGroup, Inc.

**Form 10-Q**

Quarter Ended September 30, 2012

INDEX

|                 |   |    |
|-----------------|---|----|
| <u>Part I.</u>  | <u>FINANCIAL INFORMATION</u>  |    |
| <u>Item 1.</u>  | <u>Financial Statements (Unaudited)</u>   |    |
|                 | <u>Condensed Consolidated Statements of Income - Three and Nine Months Ended September 30, 2012 and 2011</u>                      | 1  |
|                 | <u>Condensed Consolidated Statements of Comprehensive (Loss) Income - Three and Nine Months Ended September 30, 2012 and 2011</u> | 2  |
|                 | <u>Condensed Consolidated Balance Sheets - September 30, 2012 and December 31, 2011</u>   | 3  |
|                 | <u>Condensed Consolidated Statements of Changes in Equity - Nine Months Ended September 30, 2012 and 2011</u>                     | 5  |
|                 | <u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2012 and 2011</u>                            | 6  |
|                 | <u>Notes to Condensed Consolidated Financial Statements</u>   | 7  |
| <u>Item 2.</u>  | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                                      | 17 |
| <u>Item 3.</u>  | <u>Quantitative and Qualitative Disclosures about Market Risk</u>   | 24 |
| <u>Item 4.</u>  | <u>Controls and Procedures</u>  | 24 |
| <u>Part II.</u> | <u>OTHER INFORMATION</u>  |    |
| <u>Item 2.</u>  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>  | 25 |
| <u>Item 5.</u>  | <u>Other Information</u>  | 25 |
| <u>Item 6.</u>  | <u>Exhibits</u>   | 25 |
|                 | <u>Signature</u>  | 27 |



Table of Contents

## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except per share amounts

|  | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                   |
|--|----------------------------------|------------------|---------------------------------|-------------------|
|  | 2012                             | 2011             | 2012                            | 2011              |
| <b>Net Sales</b>   | \$ 589,598                       | \$ 601,196       | \$ 1,759,599                    | \$ 1,792,643      |
| <b>Operating Expenses:</b>   |                                  |                  |                                 |                   |
| Cost of sales (exclusive of depreciation and amortization shown below) | 407,368                          | 406,768          | 1,198,663                       | 1,198,919         |
| Selling, research & development and administrative                     | 80,094                           | 86,716           | 256,218                         | 267,485           |
| Depreciation and amortization  | 35,248                           | 33,505           | 100,399                         | 102,024           |
|  | 522,710                          | 526,989          | 1,555,280                       | 1,568,428         |
| <b>Operating Income</b>  | <b>66,888</b>                    | <b>74,207</b>    | <b>204,319</b>                  | <b>224,215</b>    |
| <b>Other Income (Expense):</b>   |                                  |                  |                                 |                   |
| Interest expense   | (4,721)                          | (4,141)          | (13,867)                        | (13,368)          |
| Interest income  | 335                              | 1,626            | 2,157                           | 4,722             |
| Equity in results of affiliates  | (229)                            | 126              | (518)                           | 126               |
| Miscellaneous, net   | 753                              | (580)            | (247)                           | (1,286)           |
|  | (3,862)                          | (2,969)          | (12,475)                        | (9,806)           |
| <b>Income before Income Taxes</b>                                      | <b>63,026</b>                    | <b>71,238</b>    | <b>191,844</b>                  | <b>214,409</b>    |
| <b>Provision for Income Taxes</b>                                      | <b>20,925</b>                    | <b>21,995</b>    | <b>64,278</b>                   | <b>69,411</b>     |
| <b>Net Income</b>  | <b>\$ 42,101</b>                 | <b>\$ 49,243</b> | <b>\$ 127,566</b>               | <b>\$ 144,998</b> |
| <b>Net Loss Attributable to Noncontrolling Interests</b>               | <b>\$ 26</b>                     | <b>\$ 54</b>     | <b>\$ 56</b>                    | <b>\$ 65</b>      |
| <b>Net Income Attributable to AptarGroup, Inc.</b>                     | <b>\$ 42,127</b>                 | <b>\$ 49,297</b> | <b>\$ 127,622</b>               | <b>\$ 145,063</b> |
| <b>Net Income Attributable to AptarGroup, Inc. per Common Share:</b>   |                                  |                  |                                 |                   |
| Basic  | \$ 0.63                          | \$ 0.74          | \$ 1.92                         | \$ 2.17           |
| Diluted  | \$ 0.62                          | \$ 0.72          | \$ 1.86                         | \$ 2.08           |

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**Average Number of Shares**

**Outstanding:**

|         |               |        |               |        |
|---------|---------------|--------|---------------|--------|
| Basic   | <b>66,541</b> | 66,381 | <b>66,439</b> | 66,747 |
| Diluted | <b>68,353</b> | 68,677 | <b>68,711</b> | 69,616 |

|                                   |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Dividends per Common Share</b> | <b>\$ 0.22</b> | <b>\$ 0.22</b> | <b>\$ 0.66</b> | <b>\$ 0.58</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)

In thousands, except per share amounts

|   | Three Months Ended |                    | Nine Months Ended |                   |
|---|--------------------|--------------------|-------------------|-------------------|
|   | September 30,      |                    | September 30,     |                   |
|   | 2012               | 2011               | 2012              | 2011              |
| <b>Net Income</b>   | \$ 42,101          | \$ 49,243          | \$ 127,566        | \$ 144,998        |
| <b>Other Comprehensive Income/(Loss):</b>                             |                    |                    |                   |                   |
| Foreign currency translation adjustments                              | 19,027             | (111,260)          | (9,795)           | (5,256)           |
| Changes in treasury locks, net of tax                                 | 14                 | 22                 | 194               | 65                |
| Net (loss) gain on derivatives, net of tax                            |                    | (5)                | (7)               | 1                 |
| Defined benefit pension plan, net of tax                              |                    |                    |                   |                   |
| Amortization of prior service cost included in net income, net of tax | 59                 | 60                 | 180               | 167               |
| Amortization of net loss included in net income, net of tax           | 683                | 369                | 2,054             | 1,046             |
| Total defined benefit pension plan, net of tax                        | 742                | 429                | 2,234             | 1,213             |
| Total other comprehensive income/(loss)                               | 19,783             | (110,814)          | (7,374)           | (3,977)           |
| <b>Comprehensive Income/(Loss)</b>                                    | <b>61,884</b>      | <b>(61,571)</b>    | <b>120,192</b>    | <b>141,021</b>    |
| <b>Comprehensive Loss Attributable To Noncontrolling Interests</b>    | <b>21</b>          | <b>46</b>          | <b>56</b>         | <b>47</b>         |
| <b>Comprehensive Income/(Loss) Attributable to AptarGroup, Inc.</b>   | <b>\$ 61,905</b>   | <b>\$ (61,525)</b> | <b>\$ 120,248</b> | <b>\$ 141,068</b> |

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| <b>Current Assets:</b>   |                       |                      |
| Cash and equivalents   | \$ 174,287            | \$ 377,616           |
| Accounts and notes receivable, less allowance for doubtful accounts of \$7,507 in 2012 and \$8,257 in 2011 | 422,514               | 389,020              |
| Inventories  | 310,496               | 285,155              |
| Prepaid and other  | 91,309                | 92,159               |
|  | 998,606               | 1,143,950            |
| <b>Property, Plant and Equipment:</b>  |                       |                      |
| Buildings and improvements   | 357,814               | 342,146              |
| Machinery and equipment  | 1,814,879             | 1,687,521            |
|  | 2,172,693             | 2,029,667            |
| Less: Accumulated depreciation   | (1,365,895)           | (1,295,185)          |
|  | 806,798               | 734,482              |
| Land   | 20,943                | 20,233               |
|  | 827,741               | 754,715              |
| <b>Other Assets:</b>   |                       |                      |
| Investments in affiliates  | 3,526                 | 3,812                |
| Goodwill   | 344,639               | 233,689              |
| Intangible assets, net   | 51,928                | 4,374                |
| Miscellaneous  | 30,882                | 18,755               |
|  | 430,975               | 260,630              |
| <b>Total Assets</b>  | <b>\$ 2,257,322</b>   | <b>\$ 2,159,295</b>  |

See accompanying unaudited notes to condensed consolidated financial statements.



Table of Contents**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
| <b>Liabilities and Stockholders Equity</b>   |                       |                      |
| <b>Current Liabilities:</b>  |                       |                      |
| Notes payable  | \$ 13,026             | \$ 179,552           |
| Current maturities of long-term obligations  | 5,720                 | 4,116                |
| Accounts payable and accrued liabilities   | 361,861               | 335,181              |
|  | <b>380,607</b>        | <b>518,849</b>       |
| <b>Long-Term Obligations</b>   | <b>379,110</b>        | <b>254,910</b>       |
| <b>Deferred Liabilities and Other:</b>   |                       |                      |
| Deferred income taxes  | 49,458                | 27,390               |
| Retirement and deferred compensation plans   | 62,772                | 58,930               |
| Deferred and other non-current liabilities   | 7,089                 | 8,644                |
| Commitments and contingencies  |                       |                      |
|  | <b>119,319</b>        | <b>94,964</b>        |
| <b>Stockholders Equity:</b>  |                       |                      |
| AptarGroup, Inc. stockholders equity   |                       |                      |
| Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding  |                       |                      |
| Common stock, \$.01 par value, 199 million shares authorized; 83.8 and 82.8 million shares issued as of September 30, 2012 and December 31, 2011, respectively | 837                   | 827                  |
| Capital in excess of par value   | 417,090               | 364,855              |
| Retained earnings  | 1,493,180             | 1,409,388            |
| Accumulated other comprehensive income   | 52,944                | 60,318               |
| Less treasury stock at cost, 17.4 and 16.9 million shares as of September 30, 2012 and December 31, 2011, respectively   | (586,505)             | (545,612)            |
| Total AptarGroup, Inc. Stockholders Equity   | <b>1,377,546</b>      | <b>1,289,776</b>     |
| Noncontrolling interests in subsidiaries   | 740                   | 796                  |
| <b>Total Stockholders Equity</b>   | <b>1,378,286</b>      | <b>1,290,572</b>     |
| <b>Total Liabilities and Stockholders Equity</b>   | <b>\$ 2,257,322</b>   | <b>\$ 2,159,295</b>  |

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands, except per share amounts

|                |   | AptarGroup, Inc. Stockholders Equity |  |                              |                     |                                      |                                 |                     |
|----------------|---|--------------------------------------|--|------------------------------|---------------------|--------------------------------------|---------------------------------|---------------------|
|                |   | Retained                             | Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Common<br>Stock<br>Par Value | Treasury<br>Stock   | Capital in<br>Excess of<br>Par Value | Non-<br>Controlling<br>Interest | Total<br>Equity     |
| <b>Balance</b> | <b>December 31, 2010:</b>   | <b>\$ 1,279,013</b>                  | <b>\$ 123,766</b>                                      | <b>\$ 817</b>                | <b>\$ (443,019)</b> | <b>\$ 318,346</b>                    | <b>\$ 851</b>                   | <b>\$ 1,279,774</b> |
|                | Net income (loss)   | 145,063                              |  |                              |                     |                                      | (65)                            | 144,998             |
|                | Foreign currency translation adjustments  |                                      | (5,274)  |                              |                     |                                      | 18                              | (5,256)             |
|                | Changes in unrecognized pension gains/losses and related amortization, net of tax |                                      | 1,213  |                              |                     |                                      |                                 | 1,213               |
|                | Changes in treasury locks, net of tax   |                                      | 65   |                              |                     |                                      |                                 | 65                  |
|                | Net gain on derivatives, net of tax   |                                      | 1  |                              |                     |                                      |                                 | 1                   |
|                | Stock option exercises & restricted stock vestings                                |                                      |  | 8                            | 69                  | 34,070                               |                                 | 34,147              |
|                | Cash dividends declared on common stock   | (38,769)                             |  |                              |                     |                                      |                                 | (38,769)            |
|                | Non-Controlling interest distribution   |                                      |  |                              |                     |                                      | (27)                            | (27)                |
|                | Treasury stock purchased  |                                      |  |                              | (79,640)            |                                      |                                 | (79,640)            |
| <b>Balance</b> | <b>September 30, 2011:</b>  | <b>\$ 1,385,307</b>                  | <b>\$ 119,771</b>                                      | <b>\$ 825</b>                | <b>\$ (522,590)</b> | <b>\$ 352,416</b>                    | <b>\$ 777</b>                   | <b>\$ 1,336,506</b> |
| <b>Balance</b> | <b>December 31, 2011:</b>   | <b>\$ 1,409,388</b>                  | <b>\$ 60,318</b>                                       | <b>\$ 827</b>                | <b>\$ (545,612)</b> | <b>\$ 364,855</b>                    | <b>\$ 796</b>                   | <b>\$ 1,290,572</b> |
|                | Net income (loss)   | 127,622                              |  |                              |                     |                                      | (56)                            | 127,566             |
|                | Foreign currency translation adjustments  |                                      | (9,795)  |                              |                     |                                      |                                 |                     |