

PACKAGING CORP OF AMERICA
Form 10-Q
November 07, 2014

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 September 30, 2014

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 1-15399

(Exact Name of Registrant as Specified in its Charter)

Delaware

36-4277050

(State or Other Jurisdiction of
Incorporation or Organization)

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

1955 West Field Court, Lake Forest, Illinois

60045

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code
(847) 482-3000

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

(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 31, 2014, the Registrant had outstanding 98,383,452 shares of common stock, par value \$0.01 per share.

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All reports we file with the Securities and Exchange Commission (SEC) are available free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC website at www.sec.gov. We also provide copies of our SEC filings at no charge upon request and make electronic copies of our reports available through our website at www.packagingcorp.com as soon as reasonably practicable after filing such material with the SEC.

PART I
FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Packaging Corporation of America
Consolidated Statements of Income and Comprehensive Income
(unaudited, dollars in thousands, except per-share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Statements of Income:				
Net sales	\$1,518,940	\$845,440	\$4,418,653	\$2,400,877
Cost of sales	(1,198,607)	(617,841)	(3,486,108)	(1,792,782)
Gross profit	320,333	227,599	932,545	608,095
Selling, general, and administrative expenses	(119,645)	(77,096)	(359,007)	(226,606)
Other expense, net	(12,310)	(7,721)	(44,004)	(22,510)
Income from operations	188,378	142,782	529,534	358,979
Interest expense, net	(23,111)	(11,850)	(65,311)	(30,333)
Income before taxes	165,267	130,932	464,223	328,646
Income tax provision	(60,822)	(46,250)	(170,135)	(115,418)
Net income	\$104,445	\$84,682	\$294,088	\$213,228
Net income per common share:				
Basic	\$1.06	\$0.88	\$2.99	\$2.21
Diluted	\$1.06	\$0.87	\$2.99	\$2.19
Dividends declared per common share	\$0.40	\$0.40	\$1.20	\$1.11
Statements of Comprehensive Income:				
Net income	\$104,445	\$84,682	\$294,088	\$213,228
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax of (\$106), \$0, (\$76), and \$0, respectively	(1,564)	—	(1,656)	—
Reclassification adjustments to cash flow hedges included in net income, net of tax of \$553, \$552, \$1,668, 870 and \$1,658, respectively		870	2,599	2,609
Amortization of pension and postretirement plans actuarial loss and prior service cost, net of tax of \$685, \$2,153, \$2,157, and \$7,574, respectively	1,080	3,387	3,137	11,921
Changes in unfunded employee benefit obligation, net of tax of \$0, \$3,152, \$0, and \$8,522, respectively	—	4,963	—	13,418
Other comprehensive income	386	9,220	4,080	27,948
Comprehensive income	\$104,831	\$93,902	\$298,168	\$241,176

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Packaging Corporation of America

Consolidated Balance Sheets

(unaudited, dollars and shares in thousands, except per-share data)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 154,323	\$ 190,960
Accounts receivable, net of allowance for doubtful accounts and customer deductions of \$12,118 and \$10,567 as of September 30, 2014, and December 31, 2013, respectively	717,947	643,083
Inventories	616,962	594,291
Prepaid expenses and other current assets	76,195	32,101
Federal and state income taxes receivable	—	22,958
Deferred income taxes	32,280	