

Rockwood Holdings, Inc.
Form 10-Q
May 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

Or

- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-32609

Rockwood Holdings, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-2277366
(I.R.S. Employer
Identification No.)

100 Overlook Center, Princeton, New Jersey 08540

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(Address of principal executive offices) (Zip Code)

(609) 514-0300

(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, a non-accelerated filer or a smaller reporting company. See definitions 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 30, 2012, there were 77,590,669 outstanding shares of common stock, par value \$0.01 per share, of the Registrant.

TABLE OF CONTENTS

FORM 10-Q

PART I- FINANCIAL INFORMATION

<u>Item 1</u>	<u>Financial Statements (Unaudited)</u> <u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011</u> <u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011</u> <u>Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011</u> <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011</u> <u>Condensed Consolidated Statements of Equity for the three months ended March 31, 2012 and 2011</u> <u>Notes to Condensed Consolidated Financial Statements</u>
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
<u>Item 4</u>	<u>Controls and Procedures</u>

PART II- OTHER INFORMATION

<u>Item 1</u>	<u>Legal Proceedings</u>
<u>Item 1A</u>	<u>Risk Factors</u>
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>
<u>Item 4</u>	<u>Mine Safety Disclosures</u>
<u>Item 5</u>	<u>Other Information</u>
<u>Item 6</u>	<u>Exhibits</u>

Signatures

PART I FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited).****ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in millions, except per share amounts;

shares in thousands)

(Unaudited)

	Three months ended March 31,	
	2012	2011
Net sales	\$ 909.5	\$ 914.0
Cost of products sold	566.7	592.9
Gross profit	342.8	321.1
Selling, general and administrative expenses	177.1	180.7
Restructuring and other severance costs	14.2	1.0
Operating income	151.5	139.4
Other expenses, net:		
Interest expense, net (a)	(20.5)	(23.0)
Loss on early extinguishment/modification of debt	(9.7)	(16.2)
Foreign exchange (loss) gain on financing activities, net	(1.0)	2.0
Other expenses, net	(31.2)	(37.2)
Income from continuing operations before taxes	120.3	102.2
Income tax provision	30.6	28.8
Income from continuing operations	89.7	73.4
Income from discontinued operations, net of tax (b)		114.7
Net income	89.7	188.1
Net income attributable to noncontrolling interest	(13.9)	(10.1)
Net income attributable to Rockwood Holdings, Inc.	\$ 75.8	\$ 178.0
Amounts attributable to Rockwood Holdings, Inc.:		
Income from continuing operations	\$ 75.8	\$ 63.3
Income from discontinued operations		114.7
Net income	\$ 75.8	\$ 178.0
Basic earnings per share attributable to Rockwood Holdings, Inc.:		
Earnings from continuing operations	\$ 0.98	\$ 0.83
Earnings from discontinued operations		1.51
Basic earnings per share	\$ 0.98	\$ 2.34
Diluted earnings per share attributable to Rockwood Holdings, Inc.:		
Earnings from continuing operations	\$ 0.94	\$ 0.80
Earnings from discontinued operations		1.44
Diluted earnings per share	\$ 0.94	\$ 2.24

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Weighted average number of basic shares outstanding	77,384	76,136
Weighted average number of diluted shares outstanding	80,315	79,508

Interest expense on debt	\$	(18.8)	\$	(28.0)
Mark-to-market (losses) gains on interest rate swaps		(0.4)		6.3
Deferred financing costs		(1.3)		(1.3)
Total	\$	(20.5)	\$	(23.0)

(b) Primarily relates to the gain on sale of the plastic compounding business in January 2011.

See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)

(Unaudited)

	Three months ended March 31,	
	2012	2011
Net income	\$ 89.7	\$ 188.1
Other comprehensive income, net of tax:		
Pension related adjustments	(2.3)	(2.2)
Foreign currency translation (a)	33.3	31.8
Intercompany foreign currency loans	22.5	45.2
Net investment hedges	(0.3)	(9.9)
Foreign exchange contracts		2.3
Other comprehensive income	53.2	67.2
Comprehensive income	142.9	255.3
Comprehensive income attributable to noncontrolling interest	(18.3)	(18.5)
Comprehensive income attributable to Rockwood Holdings, Inc.	\$ 124.6	\$ 236.8

(a) Excludes \$10.1 million reclassified to net income in the three months ended March 31, 2011 related to the sale of the plastic compounding business in January 2011.

See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions, except per share amounts;

shares in thousands)

(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97.9	\$ 321.5
Accounts receivable, net	537.2	454.1
Inventories	784.4	674.3
Deferred income taxes	10.8	10.2
Prepaid expenses and other current assets	76.8	75.1
Total current assets	1,507.1	1,535.2
Property, plant and equipment, net	1,660.6	1,618.5
Goodwill	874.5	849.6
Other intangible assets, net	495.5	509.7
Deferred financing costs, net	18.9	14.3
Deferred income taxes	20.5	19.3
Other assets	43.5	41.0
Total assets	\$ 4,620.6	\$ 4,587.6
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 233.2	\$ 249.1
Income taxes payable	62.8	45.8
Accrued compensation	162.7	161.4
Accrued expenses and other current liabilities	144.3	129.6
Deferred income taxes	3.8	3.8
Long-term debt, current portion	91.2	250.5
Total current liabilities	698.0	840.2
Long-term debt	1,431.8	1,437.2
Pension and related liabilities	465.6	450.7
Deferred income taxes	94.8	86.5
Other liabilities	106.9	100.6
Total liabilities	2,797.1	2,915.2
Restricted stock units	15.7	14.0
EQUITY		
Rockwood Holdings, Inc. stockholders' equity:		
Common stock (\$0.01 par value, 400,000 shares authorized, 77,636 shares issued and 77,542 shares outstanding at March 31, 2012; 400,000 shares authorized, 77,030 shares issued and 76,936 shares outstanding at December 31, 2011)	0.8	0.8
Paid-in capital	1,228.7	1,222.2
Accumulated other comprehensive income	58.9	10.1
Retained earnings	204.3	128.5
Treasury stock, at cost	(1.4)	(1.4)
Total Rockwood Holdings, Inc. stockholders' equity	1,491.3	1,360.2
Noncontrolling interest	316.5	298.2
Total equity	1,807.8	1,658.4
Total liabilities and equity	\$ 4,620.6	\$ 4,587.6

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See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Three months ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 89.7	\$ 188.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax (a)		(114.7)
Depreciation and amortization	65.8	65.4
Deferred financing costs amortization	1.3	1.3
Loss on early extinguishment/modification of debt	9.7	16.2
Foreign exchange gain on financing activities, net	1.0	(2.0)
Fair value adjustment of derivatives	0.4	(6.3)
Bad debt provision		0.2
Stock-based compensation	2.9	2.9
Deferred income taxes	5.1	5.7
Restructuring and other	11.4	0.1
Excess tax benefits from stock-based payment arrangements	(0.7)	
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	(71.6)	(84.4)
Inventories	(93.9)	(14.5)
Prepaid expenses and other assets	(3.0)	11.9
Accounts payable	(4.2)	(7.4)
Income taxes payable	16.3	17.1
Accrued expenses and other liabilities	17.4	(29.9)
Net cash provided by operating activities of continuing operations	47.6	49.7
Net cash used in operating activities of discontinued operations	(1.9)	(1.8)
Net cash provided by operating activities	45.7	47.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures (b)	(74.2)	(54.2)
Acquisitions	(0.2)	
Proceeds on sale of assets	1.3	0.2
Net cash used in investing activities of continuing operations	(73.1)	(54.0)
Net cash provided by investing activities of discontinued operations, representing net sale proceeds in 2011		305.7
Net cash (used in) provided by investing activities	(73.1)	251.7
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock, net of fees	4.5	6.4
Excess tax benefits from stock-based payment arrangements	0.7	
Repayment of 2014 Notes	(534.1)	
Proceeds from senior secured debt	350.0	
Prepayment of senior secured debt		(408.9)
Repayment of senior secured debt	(4.3)	(7.0)
Proceeds from other borrowings	5.1	
Payments on other long-term debt	(1.3)	(0.6)
Loan repayments to noncontrolling shareholders		(2.0)
Deferred financing costs	(7.7)	(5.3)
Fees related to early extinguishment/modification of debt	(6.7)	(12.1)

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Distributions to noncontrolling shareholder				(0.5)
Net cash used in financing activities		(193.8)		(430.0)
Effect of exchange rate changes on cash and cash equivalents		(2.4)		(11.2)
Net decrease in cash and cash equivalents		(223.6)		(141.6)
Less net decrease in cash and cash equivalents from discontinued operations				(16.6)
Decrease in cash and cash equivalents from continuing operations		(223.6)		(125.0)
Cash and cash equivalents of continuing operations, beginning of period		321.5		324.1
Cash and cash equivalents of continuing operations, end of period	\$	97.9	\$	199.1
Supplemental disclosures of cash flow information:				
Interest paid	\$	25.6	\$	28.5
Income taxes paid, net of refunds		9.2		5.9
Non-cash investing activities:				
Acquisition of capital equipment		19.5		14.6

(a) Primarily relates to the gain on sale of the plastic compounding business in January 2011.

(b) Net of government grants of \$4.3 million and \$3.0 million for the three months ended March 31, 2012 and 2011, respectively.

See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Dollars in millions)

(Unaudited)

	Rockwood Holdings, Inc. Stockholders Equity									
	Total	Common Stock Shares	Common Stock Amount	Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Amount	Noncontrolling Interest	
Balance, January 1, 2012	\$ 1,658.4	76,936	\$ 0.8	\$ 1,222.2	\$ 10.1	\$ 128.5	94	\$ (1.4)	\$ 298.2	
Issuance of common stock	4.5	606		4.5						
Deferred compensation	2.0			2.0						
Other comprehensive income, net of tax	53.2				48.8				4.4	
Net income	89.7					75.8			13.9	
Balance, March 31, 2012	\$ 1,807.8	77,542	\$ 0.8	\$ 1,228.7	\$ 58.9	\$ 204.3	94	\$ (1.4)	\$ 316.5	
Balance, January 1, 2011	\$ 1,341.3	75,897	\$ 0.8	\$ 1,202.6	\$ 132.7	\$ (282.8)	94	\$ (1.4)	\$ 289.4	
Issuance of common stock	6.4	446		6.4						
Deferred compensation	4.7			4.7						
Distributions to noncontrolling shareholders	(0.5)								(0.5)	
Other comprehensive income, net of tax	67.2				58.8				8.4	
Net income	188.1					178.0				