

FMC CORP  
Form 10-Q  
November 02, 2011  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended September 30, 2011  
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 1-2376

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FMC CORPORATION  
(Exact name of registrant as specified in its charter)

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Delaware 94-0479804  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1735 Market Street 19103  
Philadelphia, Pennsylvania (Zip Code)  
(Address of principal executive offices)  
Registrant's telephone number, including area code: 215-299-6000

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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 WEBSITE, 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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT) YES  NO

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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 September 30, 2011
Common Stock, par value \$0.10 per share	70,423,009

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in Millions, Except Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30, 2011 (unaudited)	2010	September 30, 2011 (unaudited)	2010
Revenue	\$862.1	\$772.5	\$2,469.3	\$2,305.8
Costs and Expenses				
Costs of sales and services	574.7	517.8	1,595.0	1,519.5
Gross Margin	287.4	254.7	874.3	786.3
Selling, general and administrative expenses	110.6	99.9	325.4	286.4
Research and development expenses	27.8	24.0	75.5	69.8
Restructuring and other charges (income)	13.4	3.7	27.2	35.7
Total costs and expenses	726.5	645.4	2,023.1	1,911.4
Income from continuing operations before equity in (earnings) loss of affiliates, interest expense, net and income taxes	135.6	127.1	446.2	394.4
Equity in (earnings) loss of affiliates	(0.5 )	(1.0 )	(3.1 )	(1.9 )
Interest expense, net	9.1	9.6	29.5	29.0
Income from continuing operations before income taxes	127.0	118.5	419.8	367.3
Provision for income taxes	29.8	32.3	96.1	106.8
Income from continuing operations	97.2	86.2	323.7	260.5
Discontinued operations, net of income taxes	(6.3 )	(0.3 )	(23.2 )	(25.3 )
Net income	90.9	85.9	300.5	235.2
Less: Net income attributable to noncontrolling interests	4.1	3.0	12.5	9.2
Net income attributable to FMC stockholders	\$86.8	\$82.9	\$288.0	\$226.0
Amounts attributable to FMC stockholders:				
Continuing operations, net of income taxes	\$93.1	\$83.2	\$311.2	\$251.3
Discontinued operations, net of income taxes	(6.3 )	(0.3 )	(23.2 )	(25.3 )
Net income	\$86.8	\$82.9	\$288.0	\$226.0
Basic earnings (loss) per common share attributable to FMC stockholders:				
Continuing operations	\$1.31	\$1.14	\$4.35	\$3.46
Discontinued operations	(0.09 )	—	(0.33 )	(0.35 )
Net income	\$1.22	\$1.14	\$4.02	\$3.11
Diluted earnings (loss) per common share attributable to FMC stockholders:				
Continuing operations	\$1.30	\$1.14	\$4.33	\$3.43
Discontinued operations	(0.09 )	(0.01 )	(0.32 )	(0.35 )
Net income	\$1.21	\$1.13	\$4.01	\$3.08

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



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CONDENSED CONSOLIDATED BALANCE SHEETS

(in Millions, Except Share and Par Value Data)	September 30, 2011 (unaudited)	December 31, 2010
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$109.4	\$161.5
Trade receivables, net of allowance of \$19.7 at September 30, 2011 and \$21.7 at December 31, 2010	854.3	852.9
Inventories	444.3	347.8
Prepaid and other current assets	181.1	175.3
Deferred income taxes	101.2	108.7
Total current assets	1,690.3	1,646.2
Investments	26.0	22.4
Property, plant and equipment, net	954.8	918.5
Goodwill	204.2	194.4
Other assets	248.3	223.7
Deferred income taxes	266.0	314.7
Total assets	\$3,389.6	\$3,319.9
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Short-term debt	\$30.1	\$18.5
Current portion of long-term debt	47.4	116.4
Accounts payable, trade and other	345.6	389.3
Accrued and other liabilities	174.6	223.0
Accrued payroll	57.1	66.3
Accrued customer rebates	197.7	100.9
Guarantees of vendor financing	13.8	24.1
Accrued pension and other postretirement benefits, current	9.5	9.5
Income taxes	33.7	15.4
Total current liabilities	909.5	963.4
Long-term debt, less current portion	493.6	503.0
Accrued pension and other postretirement benefits, long-term	252.7	307.5
Environmental liabilities, continuing and discontinued	208.6	209.9
Reserve for discontinued operations	39.8	38.6
Other long-term liabilities	107.1	108.3
Commitments and contingent liabilities (Note 18)		
Equity		
Preferred stock, no par value, authorized 5,000,000 shares; no shares issued in 2011 or 2010	—	—
Common stock, \$0.10 par value, authorized 130,000,000 shares in 2011 and 2010; 92,991,896 issued shares at September 30, 2011 and December 31, 2010, respectively	9.3	9.3
Capital in excess of par value of common stock	459.4	443.6
Retained earnings	2,108.8	1,853.0
Accumulated other comprehensive income (loss)	(293.5)	(311.7)
	(966.0)	(862.7)

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Treasury stock, common, at cost: 22,568,887 shares at September 30, 2011 and  
21,506,052 shares at December 31, 2010

Total FMC stockholders' equity	1,318.0	1,131.5
Noncontrolling interests	60.3	57.7
Total equity	1,378.3	1,189.2
Total liabilities and equity	\$3,389.6	\$3,319.9

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Millions)	Nine Months Ended September 30, 2011                      2010 (unaudited)	
Cash provided (required) by operating activities of continuing operations:		
Net income	\$ 300.5	\$ 235.2
Discontinued operations	23.2	25.3
Income from continuing operations	\$ 323.7	\$ 260.5
Adjustments from income from continuing operations to cash provided (required) by operating activities of continuing operations:		
Depreciation and amortization	94.3	99.0
Equity in (earnings) loss of affiliates	(3.1)	) (1.9)
Restructuring and other charges (income)	27.2	35.7
Deferred income taxes	68.9	44.7
Pension and other postretirement benefits	27.9	24.4
Share-based compensation	12.5	11.6
Excess tax benefits from share-based compensation	(6.3)	) (51.5)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Trade receivables, net	—	(68.4)
Guarantees of vendor financing	(10.3)	) (31.1)
Inventories	(94.2)	) (25.5)
Other current assets and other assets	(15.8)	) (24.1)
Accounts payable	(45.3)	) 38.0
Accrued and other current liabilities and other liabilities	4.0	(14.3)
Accrued payroll	(9.2)	) (0.3)
Accrued customer rebates	97.1	97.7
Income taxes	(2.0)	) 53.7
Accrued pension and other postretirement benefits, net	(55.2)	) (86.3)
Environmental spending, continuing, net of recoveries	(7.0)	) (6.3)
Restructuring and other spending	(79.4)	) (47.4)
Cash provided (required) by operating activities	327.8	308.2
Cash provided (required) by operating activities of discontinued operations:		
Environmental spending, discontinued, net of recoveries	(12.6)	) (8.8)
Payments of other discontinued reserves	(17.2)	) (14.6)
Cash provided (required) by operating activities of discontinued operations	(29.8)	) (23.4)

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



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(in Millions)	Nine Months Ended September 30, 2011                      2010 (unaudited)	
Cash provided (required) by investing activities:		
Capital expenditures	\$(119.1	) \$(95.3            )
Acquisitions, net of cash acquired	(1.5	) —
Proceeds from disposal of property, plant and equipment	0.7	2.7
Other investing activities	(17.0	) (14.7            )
Cash provided (required) by investing activities	(136.9	) (107.3           )
Cash provided (required) by financing activities:		
Net borrowings (repayments) under committed credit facilities	10.9	—
Increase (decrease) in short-term debt	11.8	(5.6            )
Repayments of long-term debt	(90.4	) (4.0            )
Proceeds from borrowings of long-term debt	—	34.3
Financing fees	(3.9	) —
Distributions to noncontrolling interests	(12.9	) (11.0           )
Issuances of common stock, net	9.0	12.4
Excess tax benefits from share-based compensation	6.3	51.5
Dividends paid	(30.6	) (27.3           )
Repurchases of common stock	(114.2	) (37.0           )
Cash provided (required) by financing activities	(214.0	) 13.3
Effect of exchange rate changes on cash and cash equivalents	0.8	(0.1            )
Increase (decrease) in cash and cash equivalents	(52.1	) 190.7
Cash and cash equivalents, beginning of period	161.5	76.6
Cash and cash equivalents, end of period	\$109.4	\$267.3

Supplemental disclosure of cash flow information: Cash paid for interest was \$29.7 million and \$30.3 million, and income taxes paid, net of refunds were \$31.5 million and \$28.1 million for the nine months ended September 30, 2011 and 2010, respectively.

See Note 14 regarding quarterly cash dividend.

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

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FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Financial Information and Accounting Policies

In our opinion the condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") applicable to interim period financial statements and reflect all adjustments necessary for a fair statement of results of operations and cash flows for the nine months ended September 30, 2011 and 2010, and our financial position as of September 30, 2011. All such adjustments are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2011 and 2010 are not necessarily indicative of the results of operations for the full year. The condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010, and the related condensed consolidated statements of income for the three and nine months ended September 30, 2011 and 2010, and condensed consolidated statements of cash flows for the nine months ended September 30, 2011 and 2010, have been reviewed by our independent registered public accountants. The review is described more fully in their report included herein.

Our accounting policies are set forth in detail in Note 1 to the consolidated financial statements included with our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2010 (the "2010 10-K").

Note 2: Recently Issued and Adopted Accounting Pronouncements and Regulatory Items

New accounting guidance and regulatory items

Testing Goodwill for Impairment

In September 2011, the Financial Accounting Standards Board ("FASB") issued its updated guidance for the testing of goodwill for impairment. The update allows us the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after assessing qualitative factors it is determined that it is more likely than not the fair value of the reporting unit is less than its carrying amount, we will need to perform a more detailed goodwill impairment test which is used to identify potential goodwill impairments and to measure the amount of goodwill impairment losses to be recognized, if any. The objective of this new approach is to simplify how entities test goodwill for impairment. We will adopt this new guidance starting with our 2012 annual goodwill impairment test.

Presentation of Comprehensive Income

In June 2011, the FASB issued its guidance regarding the presentation of comprehensive income. This new guidance, which we will adopt starting January 1, 2012, requires us to present total comprehensive income and its components and the components of net income in either a single continuous statement or two separate but consecutive statements. This guidance only impacts the location of the disclosure of comprehensive income within our consolidated financial statements and does not result in a change to the accounting treatment of comprehensive income.

Fair Value Measurements

In May 2011, the FASB amended its guidance about fair value measurement and disclosure. The new guidance was issued in conjunction with a new International Financial Reporting Standards ("IFRS") fair value measurement standard aimed at updating IFRS to conform with U.S. GAAP. The new FASB guidance will result in some additional disclosure requirements; however, it does not result in significant modifications to existing FASB guidance with respect to fair value measurement and disclosure. We are required to adopt this guidance starting on January 1, 2012. We are in the process of evaluating this guidance; however, we do not believe it will have a material effect on our consolidated financial statements upon adoption.

Accounting guidance and regulatory items adopted in 2011

Multiple Deliverable Revenue Arrangements

In October 2009, the FASB amended its guidance regarding the criteria for when to evaluate individual delivered items in a multiple deliverable arrangement and how to allocate consideration received. We adopted this guidance on January 1, 2011. There was no impact to our financial statements upon adoption.



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## FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)—(Continued)

## Note 3: Acquisitions

In July 2011, we acquired a 50 percent controlling ownership interest in a new Argentine agrochemical distribution company named Ruralco Soluciones SA (Ruralco). Ruralco has been integrated into our Agricultural Products Group and fits our Vision 2015 strategy to expand our reach in rapidly developing economies, and will allow FMC to accelerate its growth and market access in Argentina's crop protection market. The acquisition of Ruralco, which primarily represents identifiable intangible assets, was accounted for as a business combination. The purchase price of Ruralco was allocated to the net assets acquired which primarily represents customer relationships as of the acquisition date. Goodwill of \$4.2 million has been recorded based on the amount by which the purchase price exceeded the fair value of the net assets acquired.

The purchase price and allocation thereof, pro forma revenue, net income and earnings per share information related to the acquisition noted above is not presented because its impact on these measures in our condensed consolidated balance sheet and statements of income is not significant.

## Acquisitions Subsequent Event

In October 2011, we completed the acquisition of RheinPerChemie GmbH, a European persulfates business. The acquisition is aimed at strengthening our Peroxygens' global reach and immediately broadens our product profile in Europe, the Middle East and Africa. The acquisition will be accounted for as a business combination. The acquired net assets at fair value and the results of operations of RheinPerChemie GmbH will be included in our consolidated results of operations following the acquisition date.

Additionally, in October 2011, we entered into a definitive agreement to acquire South Pole Biogroup Ltda., a Chilean-based natural color and specialty nutrition ingredients manufacturer. The acquisition further expands FMC's portfolio of naturally sourced specialty products used in the food, beverage, personal care, nutrition and pharmaceutical markets.

These acquisitions are in pursuit of our external growth goals for Vision 2015 objectives. The acquisitions themselves are relatively small but are very important foundation steps to achieving our growth goals.

## Note 4: Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by business segment for the nine months ended September 30, 2011, are presented in the table below:

(in Millions)	Agricultural Products	Specialty Chemicals	Industrial Chemicals	Total
Balance, December 31, 2010	\$2.8	\$191.0	\$0.6	\$194.4
Acquisitions	4.2	—	—	4.2
Foreign Currency Adjustments	—	5.6	—	5.6
Balance, September 30, 2011	\$7.0	\$196.6	\$0.6	\$204.2

Acquisitions for the nine months ended September 30, 2011, related to the Ruralco acquisition, which is described in Note 3.

Our indefinite life intangible assets totaled \$2.4 million at September 30, 2011 and December 31, 2010. The indefinite life intangible assets consist of trade names in our Agricultural Products segment.

Our finite-lived intangible assets totaled \$55.4 million and \$51.6 million at September 30, 2011 and December 31, 2010, respectively. At September 30, 2011, these finite-lived intangibles were allocated among our business segments as follows: \$36.4 million in Agricultural Products, \$18.1 million in Specialty Chemicals and \$0.9 million in Industrial Chemicals. Finite-lived intangible assets consist primarily of patents, customer relationships, access and registration rights, industry licenses, developed formulations and other intangibles which are included in "Other assets" in the condensed consolidated balance sheets. The increase in finite-lived intangible assets during the nine months ended September 30, 2011 was primarily due to the purchase of certain intangible assets from a third party, the acquisition of Ruralco in our Agricultural Products segment and foreign currency translation. Amortization was not significant in the

periods presented.

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## FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)—(Continued)

## Note 5: Inventories

Inventories consisted of the following:

(in Millions)	September 30, 2011	December 31, 2010
Finished goods and work in process	\$262.4	\$225.6
Raw materials	181.9	122.2
Net inventory	\$444.3	\$347.8

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FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)—(Continued)

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## FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)—(Continued)

## Note 6: Property, Plant and Equipment

Property, plant and equipment consisted of the following:

(in Millions)	September 30, 2011	December 31, 2010
Property, plant and equipment	\$2,821.6	\$2,777.2
Accumulated depreciation	1,866.8	1,858.7
Property, plant and equipment, net	\$954.8	\$918.5

## Note 7: Asset Retirement Obligations

As of September 30, 2011, the balance of our asset retirement obligations was \$28.0 million. This amount decreased \$6.6 million from December 31, 2010, primarily due to payments against the reserve related to the Huelva and the Barcelona facility shutdowns. A more complete description of our asset retirement obligations can be found in Note 8 to our 2010 consolidated financial statements in our 2010 10-K.

## Note 8: Restructuring and Other Charges (Income)

Our restructuring and other charges (income) are comprised of restructuring, asset disposals and other charges (income) as noted below:

(in Millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Restructuring Charges and Asset Disposals	\$12.3	\$1.7	\$21.5	\$16.1
Other Charges (Income), Net	1.1	2.0	5.7	19.6
Total Restructuring and Other Charges	\$13.4	\$3.7	\$27.2	\$35.7



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## FMC CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)—(Continued)

## RESTRUCTURING CHARGES AND ASSET DISPOSALS

(in Millions)	Severance and Employee Benefits (1)	Asset Disposal Charges (2)	Other Charges (Income) (3)	Total
Sodium Percarbonate Phase-out	\$—	\$10.1	\$—	\$10.1
Huelva Shutdown	—	—	0.6	0.6
Other Items	0.5	0.5	0.6	1.6
Three months ended September 30, 2011	\$0.5	\$10.6	\$1.2	\$12.3
Alginates Restructuring	(0.6	) —	0.5	(0.1
Bayport Butyllithium Shutdown	(0.1	) (0.1	) —	(0.2
Barcelona Facility Shutdown	—	0.5	0.5	1.0
Santa Clara Shutdown	—	—	—	—
Other Items	1.0	—	—	1.0
Three months ended September 30, 2010	\$0.3	\$0.4	\$1.0	\$1.7
Sodium Percarbonate Phase-out	\$5.5	\$10.1	\$—	\$15.6
Alginates Restructuring	—	1.2	0.2	1.4
Huelva Shutdown	—	—	2.1	2.1
Santa Clara Shutdown	—	—	—	—