

VALASSIS COMMUNICATIONS INC

Form 10-Q

May 07, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 2010**
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 1-10991**

VALASSIS COMMUNICATIONS, INC.

(Exact Name of Registrant as Specified in its Charter)

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Delaware
(State or Other Jurisdiction of

38-2760940
(IRS Employer

Incorporation or Organization)

Identification Number)

19975 Victor Parkway

Livonia, Michigan 48152

(address of principal executive offices)

Registrant's Telephone Number: (734) 591-3000

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 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 May 5, 2010, there were 49,828,224 shares of the Registrant's Common Stock outstanding.

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Valassis Communications, Inc.

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Item 1. Financial Statements

VALASSIS COMMUNICATIONS, INC.**Condensed Consolidated Balance Sheets**

(U.S. dollars in thousands)

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 633,006	\$ 129,846
Accounts receivable (less allowance for doubtful accounts of \$7,114 at March 31, 2010 and \$7,593 at December 31, 2009)	412,991	428,836
Inventories:		
Raw materials	21,637	23,263
Work in progress	14,870	17,209
Prepaid expenses and other	43,149	37,046
Refundable income taxes		12,578
Total current assets	1,125,653	648,778
Property, plant and equipment, at cost:		
Land and buildings	44,423	44,285
Machinery and equipment	220,205	218,397
Office furniture and equipment	207,542	206,931
Automobiles	1,206	1,266
Leasehold improvements	28,692	28,896
	502,068	499,775
Less accumulated depreciation and amortization	(312,771)	(301,874)
Net property, plant and equipment	189,297	197,901
Intangible assets:		
Goodwill	640,073	640,073
Other intangibles, net	235,703	238,859
Net intangible assets	875,776	878,932
Investments	2,183	2,298
Other assets	14,783	16,113
Total assets	\$ 2,207,692	\$ 1,744,022

See accompanying notes to condensed consolidated financial statements.

Table of Contents**VALASSIS COMMUNICATIONS, INC.****Condensed Consolidated Balance Sheets, Continued**

(U.S. dollars in thousands)

	March 31, 2010 (unaudited)	December 31, 2009
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion long-term debt	\$ 7,074	\$ 6,197
Accounts payable	310,432	338,418
Accrued interest	3,853	15,103
Accrued compensation and benefits	40,535	53,258
Accrued other expenses	52,902	59,275
Progress billings	38,978	40,532
Income taxes payable	175,948	
Deferred income taxes	22	22
Total current liabilities	629,744	512,805
Long-term debt	1,002,229	1,004,875
Other non-current liabilities	44,225	40,567
Deferred income taxes	89,871	87,914
Commitments and Contingencies		
Stockholders equity:		
Preferred stock of \$0.01 par value. Authorized 25,000,000 shares; no shares issued or outstanding at March 31, 2010 and December 31, 2009		
Common stock of \$0.01 par value. Authorized 100,000,000 shares; issued 65,064,165 at March 31, 2010 and 64,241,359 at December 31, 2009; outstanding 49,585,048 at March 31, 2010 and 48,762,242 at December 31, 2009	650	642
Additional paid-in capital	119,061	98,927
Retained earnings	845,259	522,731
Accumulated other comprehensive loss	(3,177)	(4,269)
Treasury stock, at cost 15,479,117 shares at March 31, 2010 and December 31, 2009	(520,170)	(520,170)
Total stockholders equity	441,623	97,861
Total liabilities and stockholders equity	\$ 2,207,692	\$ 1,744,022

See accompanying notes to condensed consolidated financial statements.

Table of Contents**VALASSIS COMMUNICATIONS, INC.****Condensed Consolidated Statements of Income****(U.S. dollars in thousands, except per share data)****(unaudited)**

	Three Months Ended March 31,	
	2010	2009
Revenues	\$ 550,002	\$ 551,155
Costs and expenses:		
Cost of products sold	403,389	427,490
Selling, general and administrative	90,958	86,228
Amortization expense	3,156	3,056
Total costs and expenses	497,503	516,774
Gain from litigation settlement (Note 11)	490,085	
Earnings from operations	542,584	34,381
Other expenses (income):		
Interest expense	20,156	21,644
Interest income	(146)	(250)
Other (income) expense, net	(1,790)	(8,695)
Total other expenses (income)	18,220	12,699
Earnings before income taxes	524,364	21,682
Income tax expense	201,836	8,654
Net earnings	\$ 322,528	\$ 13,028
Net earnings per common share, basic	\$ 6.59	\$ 0.27
Net earnings per common share, diluted	\$ 6.26	\$ 0.27
Shares used in computing net earnings per share, basic	48,953	47,917
Shares used in computing net earnings per share, diluted	51,554	47,948

See accompanying notes to condensed consolidated financial statements.

Table of Contents**VALASSIS COMMUNICATIONS, INC.****Condensed Consolidated Statements of Cash Flows**

(U.S. dollars in thousands)

(unaudited)

	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net earnings	\$ 322,528	\$ 13,028
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of intangibles	15,520	17,660
Amortization of bond discount	1,786	873
Provision for losses on accounts receivable	1,569	1,948
Gain on debt extinguishment, net of fees		(7,431)
Loss on termination of cash flow hedges, net	358	
Loss (gain) on sale of property, plant and equipment	33	(4)
Gain on equity investments	(1,332)	(837)
Stock-based compensation charge	5,891	1,049
Deferred income taxes	3,587	(120)
Changes in assets and liabilities which increase (decrease) cash flow:		
Accounts receivable	14,276	46,860
Inventories	3,965	2,084
Prepaid expenses and other	(6,102)	11,244
Other assets	221	902
Other liabilities	2,286	1,508
Accounts payable	(27,986)	(35,211)
Accrued expenses, compensation and interest	(26,226)	(23,623)
Income taxes	188,526	5,064
Progress billings	(1,554)	4,668
Total adjustments	174,818	26,634
Net cash provided by operating activities	497,346	39,662
Cash flows from investing activities:		
Additions to property, plant and equipment	(3,821)	(2,036)
Proceeds from sale of property, plant and equipment	36	13
Net cash (used in) investing activities	(3,785)	(2,023)