

Rockwood Holdings, Inc.
Form 10-Q
May 11, 2009

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, 2009

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
(Address of principal executive offices)

08540
(Zip Code)

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(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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(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.

As of May 4, 2009, there were 74,080,651 outstanding shares of common stock, par value \$0.01 per share, of the Registrant.

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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,		
	2009		2008
Net sales	\$	660.0	\$ 843.8
Cost of products sold		477.9	571.3
Gross profit		182.1	272.5
Selling, general and administrative expenses		145.1	166.6
Restructuring and other severance costs		7.8	0.8
Loss on sale of assets and other		0.1	0.1
Operating income		29.1	105.0
Other expenses, net:			
Interest expense (a)		(49.7)	(73.7)
Interest income		0.4	2.2
Gain on early extinguishment of debt		2.2	
Foreign exchange (loss) gain, net		(5.6)	15.1
Other, net		0.1	0.4
Other expenses, net		(52.6)	(56.0)
(Loss) income from continuing operations before taxes		(23.5)	49.0
Income tax (benefit) provision		(16.7)	19.7
(Loss) income from continuing operations		(6.8)	29.3
Income (loss) from discontinued operations, net of tax		2.3	(1.0)
Net (loss) income		(4.5)	28.3
Net loss (income) attributable to noncontrolling interest		3.0	(0.6)
Net (loss) income attributable to Rockwood Holdings, Inc.	\$	(1.5)	\$ 27.7
Amounts attributable to Rockwood Holdings, Inc.:			
(Loss) earnings from continuing operations	\$	(3.8)	\$ 28.7
Earnings (loss) from discontinued operations		2.3	(1.0)
Net (loss) income	\$	(1.5)	\$ 27.7
Basic (loss) earnings per share attributable to Rockwood Holdings, Inc.:			
(Loss) earnings from continuing operations	\$	(0.05)	\$ 0.39
Earnings (loss) from discontinued operations		0.03	(0.02)
Basic (loss) earnings per share	\$	(0.02)	\$ 0.37
Diluted (loss) earnings per share:			
(Loss) earnings from continuing operations	\$	(0.05)	\$ 0.37

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Earnings (loss) from discontinued operations		0.03		(0.01)
Basic (loss) earnings per share	\$	(0.02)	\$	0.36
Weighted average number of basic shares outstanding		74,064		73,898
Weighted average number of diluted shares outstanding		74,064		76,609

(a) Interest expense includes:

Interest expense on debt	\$	(37.7)	\$	(40.6)
Mark-to-market losses on interest rate swaps		(9.6)		(30.8)
Deferred financing costs		(2.4)		(2.3)
Total	\$	(49.7)	\$	(73.7)

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, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 327.1	\$ 468.7
Accounts receivable, net	425.5	464.6
Inventories	603.2	641.0
Deferred income taxes	22.4	22.1
Prepaid expenses and other current assets	53.1	65.9
Total current assets	1,431.3	1,662.3
Property, plant and equipment, net	1,645.6	1,752.2
Goodwill	871.1	917.8
Other intangible assets, net	708.4	754.8
Deferred debt issuance costs, net of accumulated amortization of \$38.0 and \$39.2, respectively	33.5	39.1
Deferred income taxes	19.7	11.6
Other assets	35.8	39.5
Total assets	\$ 4,745.4	\$ 5,177.3
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 201.9	\$ 260.8
Income taxes payable	3.3	4.1
Accrued compensation	77.7	92.6
Restructuring liability	13.4	18.9
Accrued expenses and other current liabilities	175.9	198.5
Deferred income taxes	8.9	9.0
Long-term debt, current portion	26.5	90.9
Total current liabilities	507.6	674.8
Long-term debt	2,559.5	2,720.3
Pension and related liabilities	337.4	352.0
Deferred income taxes	82.7	97.6
Other liabilities	196.2	191.6
Total liabilities	3,683.4	4,036.3
Restricted stock units	1.6	2.1
EQUITY		
Rockwood Holdings, Inc. stockholders' equity:		
Common stock (\$0.01 par value, 400,000 shares authorized, 74,175 shares issued and 74,081 shares outstanding at March 31, 2009; 400,000 shares authorized, 74,155 shares issued and 74,061 shares outstanding at December 31, 2008)	0.7	0.7
Paid-in capital	1,164.5	1,163.5
Accumulated other comprehensive income	157.4	204.0
Accumulated deficit	(544.8)	(543.3)
Treasury stock, at cost	(1.4)	(1.4)
Total Rockwood Holdings, Inc. stockholders' equity	776.4	823.5
Noncontrolling interest	284.0	315.4

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Total equity		1,060.4		1,138.9
Total liabilities and equity	\$	4,745.4	\$	5,177.3

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,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (4.5)	\$ 28.3
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of tax	(2.3)	1.0
Depreciation and amortization	68.1	61.5
Deferred financing costs amortization	2.4	2.3
Gain on early extinguishment of debt (including \$1.4 of noncash write-offs on deferred financing costs for the three months ended March 31, 2009)	(2.2)	
Foreign exchange loss (gain)	5.6	(15.1)
Fair value adjustment of derivatives	9.6	30.8
Bad debt provision		0.3
Stock-based compensation	0.8	1.8
Deferred income taxes	(22.5)	7.3
Loss (gain) on sale of assets and other	0.1	(0.4)
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	22.2	(41.6)
Inventories	15.7	(9.8)
Prepaid expenses and other assets	9.7	3.2
Accounts payable	(37.2)	(39.1)
Income taxes payable	(0.5)	1.4
Accrued expenses and other liabilities	(15.2)	4.8
Net cash provided by operating activities of continuing operations	49.8	36.7
Net cash used in operating activities of discontinued operations		(9.5)
Net cash provided by operating activities	49.8	27.2
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, including transaction fees paid, net of cash acquired	(0.7)	(10.9)
Post closing purchase price consideration		29.1
Capital expenditures, excluding capital leases	(44.3)	(55.6)
Proceeds on sale of assets	2.1	2.4
Net cash used in investing activities of continuing operations	(42.9)	(35.0)
Net cash used in investing activities of discontinued operations	(0.4)	(5.1)
Net cash used in investing activities	(43.3)	(40.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock, net of fees		0.1
Repayment of 2014 Notes	(11.9)	
Repayment of senior secured credit facilities	(29.8)	(33.5)
Payments on other long-term debt	(2.6)	(3.0)