

CORN PRODUCTS INTERNATIONAL INC
Form 10-Q
May 05, 2010

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

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 1-13397

CORN PRODUCTS INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

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22-3514823

(I.R.S. Employer Identification Number)

**5 WESTBROOK CORPORATE CENTER,
WESTCHESTER, ILLINOIS**
(Address of principal executive offices)

60154
(Zip Code)

(708) 551-2600

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 small 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 registrant's classes of common stock, as of the latest practicable date.

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CLASS
Common Stock, \$.01 par value

OUTSTANDING AT APRIL 30, 2010
75,242,665 shares

PART I FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

CORN PRODUCTS INTERNATIONAL, INC. (CPI)

Condensed Consolidated Statements of Income

(Unaudited)

(In millions, except per share amounts)	Three Months Ended			
		March 31,		
	2010		2009	
Net sales before shipping and handling costs	\$	994.9	\$	880.8
Less: shipping and handling costs		57.7		49.7
Net sales		937.2		831.1
Cost of sales		794.4		738.1
Gross profit		142.8		93.0
Operating expenses		69.7		54.7
Other expense (income)-net		1.3		(0.8)
Operating income		71.8		39.1
Financing costs-net		4.7		11.3
Income before income taxes		67.1		27.8
Provision for income taxes		22.2		9.4
Net income		44.9		18.4
Less: Net income attributable to non-controlling interests		1.5		1.6
Net income attributable to CPI	\$	43.4	\$	16.8
Weighted average common shares outstanding:				
Basic		75.3		74.8
Diluted		76.4		75.4
Earnings per common share of CPI:				
Basic	\$	0.58	\$	0.22
Diluted	\$	0.57	\$	0.22

See Notes to Condensed Consolidated Financial Statements

CORN PRODUCTS INTERNATIONAL, INC. (CPI)

Condensed Consolidated Balance Sheets

(In millions, except share and per share amounts)	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 321	\$ 175
Accounts receivable net	480	440
Inventories	399	394
Prepaid expenses	19	13
Deferred income taxes	37	23
Total current assets	1,256	1,045
Property, plant and equipment net		
Goodwill and other intangible assets	1,553	1,564
Deferred income taxes	244	245
Investments	2	3
Other assets	10	10
Total assets	\$ 3,149	\$ 2,952
Liabilities and equity		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 120	\$ 136
Deferred income taxes	4	9
Accounts payable and accrued liabilities	481	420
Total current liabilities	605	565
Non-current liabilities		
Long-term debt	150	142
Deferred income taxes	538	408
Redeemable common stock (500,000 shares issued and outstanding at December 31, 2009) stated at redemption value	111	111
Share-based payments subject to redemption	7	8
Equity		
CPI Stockholders' equity:		
Preferred stock authorized 25,000,000 shares-\$0.01 par value none issued		
Common stock authorized 200,000,000 shares-\$0.01 par value 75,319,774 and 74,819,774 shares issued at March 31, 2010 and December 31, 2009, respectively	1	1
Additional paid-in capital	1,096	1,082
Less: Treasury stock (common stock; 45,597 and 433,596 shares at March 31, 2010 and December 31, 2009, respectively) at cost	(1)	(13)
Accumulated other comprehensive loss	(333)	(308)
Retained earnings	952	919
Total CPI stockholders' equity	1,715	1,681
Non-controlling interests	23	23
Total equity	1,738	1,704
Total liabilities and equity	\$ 3,149	\$ 2,952

See Notes to Condensed Consolidated Financial Statements

CORN PRODUCTS INTERNATIONAL, INC. (CPI)

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(In millions)	Three Months Ended			
		2010	March 31,	2009
Net income	\$	45	\$	18
Other comprehensive income:				
Losses on cash flow hedges, net of income tax effect of \$30 and \$20, respectively		(53)		(34)
Reclassification adjustment for losses on cash flow hedges included in net income, net of income tax effect of \$16 and \$27, respectively		21		46
Currency translation adjustment		7		(43)
Comprehensive income (loss)		20		(13)
Comprehensive income attributable to non-controlling interests		(1)		(1)
Comprehensive income (loss) attributable to CPI	\$	19	\$	(14)

See Notes to Condensed Consolidated Financial Statements

CORN PRODUCTS INTERNATIONAL, INC. (CPI)

Condensed Consolidated Statements of Equity and Redeemable Equity

(Unaudited)

(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Total Equity Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non- controlling Interests	Redeemable Common Stock	Share-based Payments Subject to Redemption
Balance, December 31, 2009	\$ 1	\$ 1,082	\$ (13)	\$ (308)	\$ 919	\$ 23	\$ 14	\$ 8
Net income attributable to CPI					43			
Net income attributable to non-controlling interests						1		
Dividends declared					(10)	(1)		
Losses on cash flow hedges, net of income tax effect of \$30				(53)				
Amount of losses on cash flow hedges reclassified to earnings, net of income tax effect of \$16				21				
Share-based compensation			12					(1)
Expiration of put option (see Note 8)		14					(14)	
Currency translation adjustment				7				
Balance, March 31, 2010	\$ 1	\$ 1,096	\$ (1)	\$ (333)	\$ 952	\$ 23	\$	\$ 7

(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Total Equity Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non- controlling Interests	Redeemable Common Stock	Share-based Payments Subject to Redemption
Balance, December 31, 2008	\$ 1	\$ 1,086	\$ (29)	\$ (594)	\$ 920	\$ 22	\$ 14	\$ 11
Net income								
attributable to CPI					17			
Net income								
attributable to								
non-controlling								
interests						1		
Dividends declared					(10)	(2)		
Losses on cash flow								
hedges, net of								
income tax effect of								
\$20				(34)				
Amount of losses on								
cash flow hedges								
reclassified to								
earnings, net of								
income tax effect of								
\$27				46				
Repurchases of								
common stock			(3)					
Share-based								
compensation		(2)	7					(5)
Change in fair value								
of redeemable								
common stock		4					(4)	
Currency translation								
adjustment				(43)				
Balance, March 31, 2009	\$ 1	\$ 1,088	\$ (25)	\$ (625)	\$ 927	\$ 21	\$ 10	\$ 6

See Notes to Condensed Consolidated Financial Statements

CORN PRODUCTS INTERNATIONAL, INC. (CPI)

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In millions)	Three Months Ended	
	2010	March 31, 2009
Cash provided by (used for) operating activities:		
Net income	\$ 45	\$ 18
Non-cash charges (credits) to net income:		
Depreciation and amortization	35	30
Changes in working capital:		
Accounts receivable and prepaid items	(33)	(3)
Inventories	(4)	18
Accounts payable and accrued liabilities	55	(80)
Decrease (increase) in margin accounts	(45)	82
Other	4	13
Cash provided by operating activities	57	78
Cash used for investing activities:		
Capital expenditures, net of proceeds on disposals	(21)	(36)
Cash used for investing activities	(21)	(36)
Cash provided by (used for) financing activities:		
Proceeds from borrowings	211	59
Payments on debt	(97)	(100)
Repurchases of common stock		(3)
Issuance of common stock	6	
Dividends paid (including to non-controlling interests)	(12)	(12)
Excess tax benefit on share-based compensation	1	
Cash provided by (used for) financing activities	109	(56)
Effect of foreign exchange rate changes on cash	1	(2)
Increase (decrease) in cash and cash equivalents	146	(16)
Cash and cash equivalents, beginning of period	175	107
Cash and cash equivalents, end of period	\$ 321	\$ 91

See Notes to Condensed Consolidated Financial Statements

CORN PRODUCTS INTERNATIONAL, INC. (CPI)

Notes to Condensed Consolidated Financial Statements

1. Interim Financial Statements

References to the Company are to Corn Products International, Inc. (CPI) and its consolidated subsidiaries. These statements should be read in conjunction with the consolidated financial statements and the related notes to those statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The unaudited condensed consolidated interim financial statements included herein were prepared by management and reflect all adjustments (consisting solely of normal recurring items unless otherwise noted) which are, in the opinion of management, necessary to present a fair statement of results of operations and cash flows for the interim periods ended March 31, 2010 and 2009, and the financial position of the Company as of March 31, 2010. The results for the interim periods are not necessarily indicative of the results expected for the full years. Subsequent events have been evaluated through the filing of this Form 10-Q with the SEC.

2. New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*. The Update requires entities to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, the Update requires entities to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The disclosures related to Level 1 and Level 2 fair value measurements are effective for interim and annual periods beginning after December 15, 2009. The disclosures related to Level 3 fair value measurements are effective for interim and annual periods beginning after December 15, 2010. The Company adopted the additional disclosure provisions in the first quarter of 2010. See Note 4 for information regarding the Company's fair value measurements.

3. Segment Information

The Company operates in one business segment, corn refining, and is managed on a geographic regional basis. Its North America operations include corn-refining businesses in the United States, Canada and Mexico. The Company's South America operations include corn-refining businesses in Brazil, Colombia, Ecuador, Peru and the Southern Cone of South America, which includes Argentina, Chile and Uruguay. The Company's Asia/Africa operations include corn-refining businesses in Korea, Pakistan, Malaysia, Kenya and China, and a tapioca root processing operation in Thailand.

(in millions)	Three Months Ended	
	2010	2009
Net Sales		
North America	\$ 540.6	\$ 531.3
South America	277.7	214.4
Asia/Africa	118.9	85.4
Total	\$ 937.2	\$ 831.1
Operating Income		
North America	\$ 38.4	\$ 20.3
South America	36.0	27.7
Asia/Africa	13.1	1.8
Corporate	(15.7)	(10.7)
Total	\$ 71.8	\$ 39.1

(in millions)	At	At
	March 31, 2010	December 31, 2009
Total Assets		
North America		