

CYTEC INDUSTRIES INC/DE/
Form 10-Q
July 30, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

Commission file number 1-12372

CYTEC INDUSTRIES INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-3268660 (I.R.S. Employer Identification No).
Five Garret Mountain Plaza Woodland Park, New Jersey (Address of principal executive offices)	07424 (Zip Code)
Registrant's telephone number, including area code (973) 357-3100	

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 .

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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 definition of accelerated filer, large accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Small 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

There were 48,475,456 shares of common stock outstanding at July 23, 2009.

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net sales	\$ 685.3	\$ 1,005.8	\$ 1,297.3	\$ 1,978.8
Manufacturing cost of sales	603.0	796.2	1,100.8	1,568.8
Selling and technical services	50.6	60.1	100.0	118.7
Research and process development	21.0	21.7	38.9	43.4
Administrative and general	30.8	29.8	60.4	58.8
Amortization of acquisition intangibles	9.4	10.3	18.6	20.4
(Loss)/gain on sale of assets	(1.4)		0.2	
(Loss)/earnings from operations	(30.9)	87.7	(21.2)	168.7
Other (expense)/income, net	(0.1)	3.7	(3.3)	3.9
Equity in earnings of associated companies	0.3	0.5	0.5	1.0
Interest expense, net	5.1	9.3	10.7	19.1
(Loss)/earnings before income taxes	(35.8)	82.6	(34.7)	154.5
Income tax (benefit)/provision	(11.4)	25.8	(10.4)	48.0
Net (loss)/earnings	(24.4)	56.8	(24.3)	106.5
Less: Net earnings attributable to noncontrolling interests	(0.4)	(0.3)	(0.6)	(0.8)
Net (loss)/earnings attributable to Cytec Industries Inc.	\$ (24.8)	\$ 56.5	\$ (24.9)	\$ 105.7
(Loss)/earnings per share attributable to Cytec Industries Inc.				
Basic (loss)/earnings per common share	\$ (0.52)	\$ 1.18	\$ (0.52)	\$ 2.20
Diluted (loss)/earnings per common share	\$ (0.52)	\$ 1.16	\$ (0.52)	\$ 2.17
Dividends per common share	\$ 0.0125	\$ 0.1250	\$ 0.1375	\$ 0.2500

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in millions, except per share amounts)

	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 62.2	\$ 55.3
Trade accounts receivable, less allowance for doubtful accounts of \$4.4 and \$6.2 at June 30, 2009 and December 31, 2008, respectively	408.6	448.8
Other accounts receivable	52.2	81.2
Inventories	421.4	569.4
Deferred income taxes	3.8	13.8
Other current assets	27.2	19.4
Total current assets	975.4	1,187.9
Investment in associated companies	21.6	22.1
Plants, equipment and facilities, at cost	2,236.1	2,136.1
Less: accumulated depreciation	(1,061.0)	(1,019.8)
Net plant investment	1,175.1	1,116.3
Acquisition intangibles, net of accumulated amortization of \$191.5 and \$171.3 at June 30, 2009 and December 31, 2008, respectively	412.1	430.8
Goodwill	695.5	693.7
Deferred income taxes	80.6	43.3
Other assets	146.4	131.5
Total assets	\$ 3,506.7	\$ 3,625.6
Liabilities		
Current liabilities		
Accounts payable	\$ 241.8	\$ 249.4
Short-term borrowings	22.0	41.0
Current maturities of long-term debt	1.4	1.4
Accrued expenses	189.3	190.1
Income taxes payable	1.6	12.5
Deferred income taxes	36.0	12.8
Total current liabilities	492.1	507.2
Long-term debt	713.9	806.4
Pension and other postretirement benefit liabilities	402.7	436.3
Other noncurrent liabilities	333.6	300.1
Deferred income taxes	72.3	96.8
Stockholders' equity		
Preferred stock, 20,000,000 shares authorized; none issued and outstanding		

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Common stock, \$.01 par value per share, 150,000,000 shares authorized; issued 49,316,913 in 2009 and 48,132,640 shares in 2008	0.5	0.5
Additional paid-in capital	457.8	437.1
Retained earnings	1,102.0	1,133.5
Accumulated other comprehensive loss	(22.7)	(39.2)
Treasury stock, at cost, 934,674 shares in 2009 and 1,069,423 shares in 2008	(50.0)	(57.2)
Total Cytec Industries Inc. stockholders equity	1,487.6	1,474.7
Noncontrolling interests	4.5	4.1
Total equity	1,492.1	1,478.8
Total liabilities and equity	\$ 3,506.7	\$ 3,625.6

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in millions)

	Six Months Ended June 30,	
	2009	2008
Cash flows provided by (used in) operating activities		
Net (loss)/earnings attributable to Cytec Industries Inc.	\$ (24.9)	\$ 105.7
Noncash items included in net (loss)/earnings:		
Depreciation	55.2	56.5
Amortization	21.7	23.6
Share-based compensation	4.1	5.4
Deferred income taxes	(21.8)	13.0
Gain on sale of assets	(0.2)	
Unrealized (gain)/loss on derivative instruments	(7.4)	2.4
Other	0.5	1.4
Changes in operating assets and liabilities:		
Trade accounts receivable	49.2	(70.6)
Other receivables	27.7	(6.4)
Inventories	149.4	(48.9)
Other assets	(14.9)	(9.8)
Accounts payable	(0.4)	41.3
Accrued expenses	9.8	(18.6)
Income taxes payable	(11.1)	1.5
Other liabilities	(6.7)	(14.5)
Net cash provided by operating activities	230.2	82.0
Cash flows (used in) provided by investing activities		
Additions to plants, equipment and facilities	(116.3)	(69.9)
Net proceeds received/(paid) on sale of assets	7.0	(4.7)
Net cash used in investing activities	(109.3)	(74.6)
Cash flows provided by (used in) financing activities		
Proceeds from long-term debt	108.0	128.1
Payments on long-term debt	(200.3)	(147.1)
Change in short-term borrowings, net	(17.8)	(7.6)
Cash dividends	(6.5)	(11.9)
Proceeds from the exercise of stock options	1.5	8.5
Purchase of treasury stock		(19.5)
Excess tax benefits from share-based payment arrangements	(0.2)	2.4
Other	0.4	0.1
Net cash used in financing activities	(114.9)	(47.0)
Effect of currency rate changes on cash and cash equivalents	0.9	2.7

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Increase/(decrease) in cash and cash equivalents	6.9	(36.9)
Cash and cash equivalents, beginning of period	55.3	76.8
Cash and cash equivalents, end of period	\$ 62.2	\$ 39.9

See accompanying Notes to Consolidated Financial Statements

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CYTEC INDUSTRIES INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Currencies in millions, except per share amounts, unless otherwise indicated)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for reporting on Form 10-Q and accounting principles generally accepted in the United States of America (U.S. GAAP) for interim reporting. Certain information and footnote disclosures normally included in our annual financial statements have been condensed or omitted pursuant to such rules and regulations. Financial statements prepared in accordance with U.S. GAAP require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and other disclosures. In the opinion of management, these financial statements include all normal and recurring adjustments necessary for a fair presentation of the financial position and the results of our operations and cash flows for the interim periods presented. The results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements contained in the Company's 2008 Annual Report on Form 10-K as updated by the Current Report on Form 8-K filed with the SEC on June 3, 2009. Unless indicated otherwise, the terms Company , Cytec , we , us and our each refer collectively to Cytec Industries Inc. and its subsidiaries.

2. NEWLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2008, the Financial Accounting Standards Board (FASB) issued Staff Position FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets (FSP 132R-1). FSP 132R-1 requires additional disclosure regarding investment allocations, major categories, valuation techniques and concentrations of risk related to plan assets held in an employer's defined benefit pension or postretirement plan. FSP 132R-1 further requires disclosure of any effects of utilizing significant unobservable inputs as defined in Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements , (SFAS 157), upon the overall change in the fair value of the plan assets during the reporting period. FSP 132R-1 is effective for the year ending December 31, 2009. We will comply with the disclosure requirements upon adoption.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51 , (SFAS 160), which establishes accounting and reporting standards that require the noncontrolling interest to be identified, labeled, and presented in the consolidated balance sheet within equity, but separate from the parent's equity. SFAS 160 also requires that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be identified and presented on the face of the consolidated statement of income. We adopted SFAS 160 on January 1, 2009 and accordingly, presentation of the prior year consolidated financial statements has been modified to conform with the current year presentation. This adoption of SFAS 160 had no impact on reported net earnings, earnings per common share, or cash flow from operating activities.

In June 2008, the FASB issued FASB Staff Position (FSP) EITF No. 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities . The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, Earnings per Share. The FSP requires entities to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. We adopted the FSP on January 1, 2009 and the impact to earnings per share was immaterial.

3. DIVESTITURES

On February 27, 2009, we sold certain of our European polyurethane product line assets for cash proceeds totaling \$5.7 and recog