

MATERION Corp
Form 10-Q
November 02, 2012
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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 September 28, 2012

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 001-15885

MATERION CORPORATION

(Exact name of Registrant as specified in charter)

Ohio
(State or other jurisdiction of incorporation or organization)

34-1919973
(I.R.S. Employer Identification No.)

6070 Parkland Blvd., Mayfield Hts., Ohio
(Address of principal executive offices)

44124
(Zip Code)

Registrant's telephone number, including area code:

216-486-4200

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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 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 the definition 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 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 October 26, 2012, there were 20,432,597 common shares, no par value, outstanding.

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PART I FINANCIAL INFORMATION

MATERION CORPORATION AND SUBSIDIARIES

Item 1. Financial Statements

The consolidated financial statements of Materion Corporation and its subsidiaries for the third quarter and first nine months ended September 28, 2012 are as follows:

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Table of Contents**Materion Corporation and Subsidiaries****Consolidated Statements of Income****(Unaudited)**

(Thousands, except per share amounts)	Third Quarter Ended		Nine Months Ended	
	Sept. 28, 2012	Sept. 30, 2011	Sept. 28, 2012	Sept. 30, 2011
Net sales	\$ 290,601	\$ 392,794	\$ 969,319	\$ 1,192,309
Cost of sales	238,232	335,444	814,507	1,016,487
Gross margin	52,369	57,350	154,812	175,822
Selling, general and administrative expense	32,832	32,322	98,938	98,012
Research and development expense	3,019	2,821	9,310	7,946
Other net	3,129	5,016	10,846	13,752
Operating profit	13,389	17,191	35,718	56,112
Interest expense net	779	807	2,297	2,005
Income before income taxes	12,610	16,384	33,421	54,107
Income tax expense	4,496	2,857	11,260	14,890
Net income	\$ 8,114	\$ 13,527	\$ 22,161	\$ 39,217
Basic earnings per share:				
Net income per share of common stock	\$ 0.40	\$ 0.66	\$ 1.08	\$ 1.92
Diluted earnings per share:				
Net income per share of common stock	\$ 0.39	\$ 0.65	\$ 1.07	\$ 1.89
Cash dividends per share	\$ 0.075	\$ 0.00	\$ 0.15	\$ 0.00
Weighted-average number of shares of common stock outstanding				
Basic	20,432	20,377	20,434	20,385
Diluted	20,697	20,749	20,639	20,792

See Notes to Consolidated Financial Statements.

Table of Contents**Materion Corporation and Subsidiaries****Consolidated Statements of Comprehensive Income****(Unaudited)**

(Thousands)	Third Quarter Ended		Nine Months Ended	
	Sept. 28, 2012	Sept. 30, 2011	Sept. 28, 2012	Sept. 30, 2011
Net income	\$ 8,114	\$ 13,527	\$ 22,161	\$ 39,217
Other comprehensive income:				
Foreign currency translation adjustment	1,271	(224)	449	1,845
Derivative and hedging activity, net of tax	(521)	1,332	(858)	921
Pension and post employment benefit adjustment, net of tax	835	343	2,504	1,463
Net change in accumulated other comprehensive income	1,585	1,451	2,095	4,229
Comprehensive income	\$ 9,699	\$ 14,978	\$ 24,256	\$ 43,446

See Notes to Consolidated Financial Statements.

Table of Contents**Materion Corporation and Subsidiaries****Consolidated Balance Sheets****(Unaudited)**

(Thousands)	Sept. 28, 2012	Dec. 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 10,894	\$ 12,255
Accounts receivable	138,877	117,761
Other receivables	209	4,602
Inventories	211,443	187,176
Prepaid expenses	44,610	39,739
Deferred income taxes	10,099	9,368
Total current assets	416,132	370,901
Related-party notes receivable	51	73
Long-term deferred income taxes	11,627	11,627
Property, plant and equipment - cost	769,985	753,326
Less allowances for depreciation, depletion and amortization	(501,382)	(489,513)
Property, plant and equipment - net	268,603	263,813
Intangible assets	30,131	34,580
Other assets	5,348	7,073
Goodwill	86,467	84,036
Total assets	\$ 818,359	\$ 772,103
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	\$ 57,455	\$ 40,944
Accounts payable	31,831	39,385
Other liabilities and accrued items	55,581	56,309
Unearned revenue	1,717	3,033
Total current liabilities	146,584	139,671
Other long-term liabilities	16,762	16,488
Retirement and post-employment benefits	98,421	105,115
Unearned income	57,859	62,540
Long-term income taxes	1,385	1,793
Deferred income taxes	2,193	51
Long-term debt	65,028	40,463
Shareholders' equity	430,127	405,982
Total liabilities and shareholders' equity	\$ 818,359	\$ 772,103

See Notes to Consolidated Financial Statements.

Table of Contents**Materion Corporation and Subsidiaries****Consolidated Statements of Cash Flows****(Unaudited)**

(Thousands)	Nine Months Ended	
	Sept. 28, 2012	Sept. 30, 2011
Cash flows from operating activities:		
Net income	\$ 22,161	\$ 39,217
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, depletion and amortization	28,923	32,355
Amortization of deferred financing costs in interest expense	487	341
Stock-based compensation expense	4,343	3,593
Changes in assets and liabilities net of acquired assets and liabilities:		
Decrease (increase) in accounts receivable	(20,451)	(16,337)
Decrease (increase) in other receivables	4,393	1,500
Decrease (increase) in inventory	(23,795)	(38,291)
Decrease (increase) in prepaid and other current assets	(4,852)	(10,633)
Decrease (increase) in deferred income taxes	(812)	(40)
Increase (decrease) in accounts payable and accrued expenses	(12,805)	(4,825)
Increase (decrease) in unearned revenue	(1,316)	(363)
Increase (decrease) in interest and taxes payable	(577)	(4,185)
Increase (decrease) in long-term liabilities	(3,618)	(10,916)
Other-net	545	(3,134)
Net cash used in operating activities	(7,374)	(11,718)
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(25,335)	(18,722)
Payments for mine development	(4,992)	(302)
Reimbursements for capital equipment under government contracts	991	2,917
Payments for purchase of business net of cash received	(3,894)	
Proceeds from sale of property, plant and equipment		33
Other investments-net	1,742	13
Net cash used in investing activities	(31,488)	(16,061)
Cash flows from financing activities:		