MINERALS TECHNOLOGIES INC
Form 10-Q
July 30, 2010

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 July 4, 2010

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-11430
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MINERALS TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

DELAWARE	25-1190717
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

622 Third Avenue, New York, NY 10017-6707
(Address of principal executive offices, including zip code)

(212) 878-1800
(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 _X_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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ]	Accelerated Filer [X]	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 X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 19, 2010
Common Stock, $0.10 par value	18,564,256

MINERALS TECHNOLOGIES INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	Three Months Ended July 4, 2010	Three Months Ended June 28, 2009	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
Net sales	$ 255,770	$ 208,598	$ 509,227	$ 416,857
Cost of goods sold	200,725	176,192	402,814	351,207
Production margin	55,045	32,406	106,413	65,650
Marketing and administrative expenses	22,592	22,591	44,932	43,137
Research and development expenses	4,928	4,364	10,052	9,225
Impairment of assets	--	37,516	--	37,516
Restructuring and other costs	13	9,553	865	10,102
Income (loss) from operations	27,512	(41,618)	50,564	(34,330)
Non-operating income (deductions), net	535	(3,535)	486	(3,790)
Income (loss) from continuing operations before provision for taxes	28,047	(45,153)	51,050	(38,120)
Provision (benefit) for taxes on income (loss)	8,414	(8,632)	15,315	(6,680)
Income (loss) from continuing operations, net of tax	19,633	(36,521)	35,735	(31,440)
Loss from discontinued operations, net of tax	--	(3,524)	0	(3,612)
Consolidated net income (loss)	19,633	(40,045)	35,735	(35,052)
Less: Net income attributable to non-controlling interests	674	862	1,407	1,698
	18,959	(40,907)	34,328	(36,750)

Net income (loss) attribute to Minerals Technologies Inc. (MTI)				
Earnings (Loss) per share:				
Basic:				
Earnings (loss) from continuing operations attributable to MTI	$ 1.01	$ (1.99)	$ 1.83	$ (1.77)
Loss from discontinued operations attributable to MTI	--	(0.19)	--	(0.19)
Basic earnings (loss) per share attributable to MTI	$ 1.01	$ (2.18)	$ 1.83	$ (1.96)
Diluted:				
Earnings (loss) from continuing operations attributable to MTI	$ 1.01	$ (1.99)	$ 1.83	$ (1.77)
Loss from discontinued operations attributable to MTI	--	(0.19)	--	(0.19)
Diluted earnings (loss) per share attributable to MTI	$ 1.01	$ (2.18)	$ 1.83	(1.96)
Cash dividends declared per common share	$ 0.05	$ 0.05	$ 0.10	$ 0.10
Shares used in computation of earnings per share:				
Basic	18,700	18,728	18,734	18,715
Diluted	18,749	18,728	18,793	18,715

See accompanying Notes to Condensed Consolidated Financial Statements.

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(thousands of dollars)	July 4, 2010*	December 31, 2009**
Current assets:		
Cash and cash equivalents	$ 336,777	$ 310,946
Short-term investments, at cost which approximates market	10,034	8,940
Accounts receivable, net	178,518	173,665
Inventories	81,724	82,483
Prepaid expenses and other current assets	22,630	24,679
Total current assets	629,683	600,713
Property, plant and equipment, less accumulated depreciation and depletion – July 4, 2010 - $866,914; December 31, 2009 - $864,332	336,982	359,378
Goodwill	66,628	68,101
Other assets and deferred charges	38,661	43,946
Total assets	$ 1,071,954	$ 1,072,138

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt	$ 3,267	$ 6,892
Current maturities of long-term debt	4,600	4,600
Accounts payable	85,103	74,513
Restructuring liabilities	5,383	8,282
Other current liabilities	53,773	58,627
Total current liabilities	152,126	152,914
Long-term debt	92,621	92,621
Other non-current liabilities	82,611	78,860
Total liabilities	327,358	324,395
Shareholders' equity:		
Common stock	2,895	2,888
Additional paid-in capital	319,231	318,256
Retained earnings	868,518	836,062
Accumulated other comprehensive income (loss)	(23,520)	3,193
Less common stock held in treasury	(447,089)	(436,238)

Total MTI shareholders' equity		720,035	724,161
Non-controlling interest		24,561	23,582
	Total shareholders' equity	744,596	747,743
	Total liabilities and shareholders' equity	$ 1,071,954	$ 1,072,138

* Unaudited
** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(thousands of dollars)	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
Operating Activities:		
Consolidated net income (loss)	$ 35,735	$ (35,052)
Loss from discontinued operations	--	(3,612)
Income (loss) from continuing operations	35,735	(31,440)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	33,291	37,105
Impairment of assets	--	37,516
Payments relating to restructuring activities	(2,812)	(4,339)
Tax benefits related to stock incentive programs	43	--
Other non-cash items	3,693	(5,190)
Net changes in operating assets and liabilities	5,516	29,742
Net cash provided by continuing operations	75,466	63,394
Net cash provided by (used in) discontinued operations	--	(561)
Net cash provided by operating activities	75,466	62,833
Investing Activities:		
Purchases of property, plant and equipment	(16,036)	(9,365)
Proceeds from sale of short-term investments	1,381	--
Purchases of short-term investments	(3,008)	(3,669)
	(17,663)	(13,034)

Net cash used in investing activities				
Financing Activities:				
Net repayment of short-term debt		(2,128)		(3,918)
Purchase of common shares for treasury		(10,429)		--
Proceeds from issuance of stock under option plan		238		--
Excess tax benefits related to stock incentive programs		19		--
Cash dividends paid		(1,872)		(1,871)
Net cash used in financing activities		(14,172)		(5,789)
Effect of exchange rate changes on cash and cash equivalents		(17,800)		849
Net increase in cash and cash equivalents		25,831		44,859
Cash and cash equivalents at beginning of period		310,946		181,876
Cash and cash equivalents at end of period	$	336,777	$	226,735
Supplemental disclosure of cash flow information:				
Interest paid	$	1,578	$	2,039
Income taxes paid	$	11,317	$	5,827
Non-cash financing activities:				
Treasury stock purchases settled after period-end	$	422	$	--

See accompanying Notes to Condensed Consolidated Financial Statements.

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and six-month periods ended July 4, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The Company employs accounting policies that are in accordance with U.S. generally accepted accounting principles and require management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates include those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income tax, valuation allowances, and litigation and environmental liabilities. Actual results could differ from those estimates.

Note 3. Earnings Per Share (EPS)

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all dilutive potential common shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share:

Basic EPS (in millions, except per share data)	Three Months Ended July 4, 2010	Three Months Ended June 28, 2009	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
Income (loss) from continuing operations attributable to MTI	$ 19.0	$ (37.4)	$ 34.3	$ (33.2)
Loss from discontinued operations attributable to MTI	--	(3.5)	--	(3.6)
Net income (loss) attributable to MTI	$ 19.0	$ (40.9)	$ 34.3	$ (36.8)
Weighted average shares outstanding	18.7	18.7	18.7	18.7

Basic earnings (loss) per share from continuing operations attributable to MTI	$	1.01	$	(1.99)	$	1.83	$	(1.77)
Basic loss per share from discontinued operations attributable to MTI		--		(0.19)		--		(0.19)
Basic earnings (loss) per share attributable to MTI	$	1.01	$	(2.18)	$	1.83	$	(1.96)

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Diluted EPS (in millions, except per share data)	Three Months Ended July 4, 2010	Three Months Ended June 28, 2009	Six Months Ended July 4, 2010	Six Months Ended June 28, 2009
Income (loss) from continuing operations attributable to MTI	$ 19.0	$ (37.4)	$ 34.3	$ (33.2)
Loss from discontinued operations attributable to MTI	--	(3.5)	--	(3.6)
Net income (loss) attributable to MTI	$ 19.0	$ (40.9)	$ 34.3	$ (36.8)
Weighted average shares outstanding	18.7	18.7	18.7	18.7
Dilutive effect of stock options and stock units	--	--	0.1	--
Weighted average shares outstanding, adjusted	18.7	18.7	18.8	18.7
Diluted earnings (loss) per share from continuing operations attributable to MTI	$ 1.01	$ (1.99)	$ 1.83	$ (1.77)
Diluted loss per share from discontinued operations attributable to MTI	--	(0.19)	--	(0.19)
Diluted earnings (loss) per share attributable to MTI	$ 1.01	$ (2.18)	$ 1.83	$ (1.96)

Options to purchase 621,814 shares of common stock and 773,589 shares for the three month and six month periods ended July 4, 2010 and June 28, 2009, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares. The weighted average diluted common shares outstanding for the three-month and six-month periods ended June 28, 2009 excludes stock options and restricted stock, as inclusion of these would be anti-dilutive. During the three-month and six-month periods ended June 28, 2009, approximately 9,000 and 11,000 common equivalent shares, respectively, were not included in the computation of diluted earnings per share.

Note 4. Discontinued Operations

In the third quarter of 2007, as a result of a change in management and deteriorating financial performance, the Company conducted an in-depth review of all of its operations and developed a new strategic focus. The Company initiated a plan to realign its business operations to improve profitability and increase shareholder value by exiting certain businesses and consolidating some product lines. As a part of this restructuring, during the fourth quarter of 2007, the Company classified its Synsil operations and its plants at Mount Vernon, Indiana and Wellsville, Ohio as discontinued operations. These operations were part of the Company's Specialty Minerals segment. During 2008, the Company sold its idle Synsil facilities in Chester, South Carolina, Woodville, Ohio and Cleburne, Texas and its facility in Wellsville, Ohio. In the fourth quarter of 2009, the Company sold its operations at Mt. Vernon, Indiana.

The following table details selected financial information for the discontinued operations in the consolidated statements of operations. The amounts exclude general corporate overhead and interest expense which were previously allocated to the entities comprising discontinued operations.

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

	Three Months Ended				Six Months Ended			
(millions of dollars)		July 4, 2010		June 28, 2009		July 4, 2010		June 28, 2009
Net sales	$	--	$	4.5	$	--	$	7.8
Production margin		--		0.2		--		0.3
Expenses		--		0.2		--		0.4
Impairment of assets		--		5.6		--		5.6
Loss from operations	$	--	$	(5.6)	$	--	$	(5.7)
Benefit for taxes on income	$	--	$	(2.1)	$	--	$	(2.1)
Loss from discontinued operations, net of tax	$	--	$	(3.5)	$	--	$	(3.6)

Note 5. Income Taxes

As of July 4, 2010, the Company had approximately $8.0 million of total unrecognized income tax benefits. Included in this amount were a total of $5.7 million of unrecognized income tax benefits that if recognized would affect the Company's effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, we do not expect the change to have a material impact on the results of operations or the financial position of the Company.

The Company's accounting policy is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had reversals of approximately $0.5 million and $0.3 million during the second quarter and first half of 2010, respectively, and has an accrued balance of $2.1 million of interest and penalties accrued as of July 4, 2010.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to U.S. federal, state, local, and international income tax examinations by tax authorities for years prior to 2003.

Note 6. Inventories

The following is a summary of inventories by major category:

(millions of dollars)	July 4, 2010	December 31, 2009

Raw materials	$	30.7	$	32.8
Work-in-process		6.5		6.1
Finished goods		25.7		24.4
Packaging and supplies		18.8		19.2
Total inventories	$	81.7	$	82.5

Note 7. Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment, at least annually. The carrying amount of goodwill was $66.6 million, and $68.1 million as of July 4, 2010 and December 31, 2009, respectively. The net change in goodwill since December 31, 2009 was attributable to the effect of foreign exchange.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Acquired intangible assets subject to amortization as of July 4, 2010 and December 31, 2009 were as follows:

	July 4, 2010		December 31, 2009	
(millions of dollars)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$ 6.2	$ 3.3	$ 6.2	$ 3.1
Customer lists	2.7	1.2	2.7	1.1
	$ 8.9	$ 4.5	$ 8.9	$ 4.2

The weighted average amortization period for acquired intangible assets subject to amortization is approximately 15 years. Estimated amortization expense is $0.6 million for each of the next five years through 2014.

Also included in other assets and deferred charges is an intangible asset of approximately $1.5 million which represents the non-current unamortized amount paid to a customer in connection with contract extensions at seven PCC satellite facilities. The current portion of $1.0 million is included in prepaid expenses and other current assets. Such amounts will be amortized as a reduction of sales over the remaining lives of the customer contracts. Approximately $0.3 million was amortized in the second quarter of 2010. Estimated amortization as a reduction of sales is as follows: remainder of 2010 - $0.4 million; 2011 - $0.7 million; 2012 - $0.5 million; 2013 - $0.4 million; 2014 - $0.4 million; with smaller reductions thereafter over the remaining lives of the contracts.

Note 8. Restructuring Costs

2007 Restructuring Program

In the third quarter of 2007, as a result of a change in management and deteriorating financial performance, the Company conducted an in-depth review of all its operations and developed a new strategic focus. The Company initiated a plan to realign its business operations to improve profitability and increase shareholder value by exiting certain businesses and consolidating some product lines. As part of this program, the Company reduced its workforce by approximately 7 percent to better control operating expenses and improve efficiencies and recorded a pre-tax charge of $16.0 million for restructuring and other exit costs during the second half of 2007. This charge consisted of severance and other employee benefit costs of $13.5 million, contract termination costs of $1.8 million and other exit costs of $0.7 million. Additional restructuring costs of $9.5 million were recorded in 2008 related to this program, including a pension settlement loss of approximately $6.8 million related to the distribution of benefits to terminated employees. The restructuring resulted in a total workforce reduction of approximately 250, which has been completed.

A reconciliation of the restructuring liability for this program, as of July 4, 2010, is as follows:

(millions of dollars)	Balance as of December 31, 2009	Additional Provisions	Cash Expenditures	Balance as of July 4, 2010
	$ 0.1	$ --	$ (0.1)	$ --

Severance and other employee benefits								
Contract termination costs		1.6		--		(0.3)		1.3
	$	1.7	$	--	$	(0.4)	$	1.3

Approximately $0.1 million and $0.4 million in termination costs were paid in the second quarter and first six months of 2010, respectively. The remaining restructuring liability of $1.3 million will be funded from operating cash flows and the program is expected to be completed in 2010.

2008 Restructuring Program

In the fourth quarter of 2008 as a result of the worldwide economic downturn and the resulting impact on our sales and operating profits, the Company initiated an additional restructuring program by reducing its workforce by approximately 14% through a combination of permanent reductions and temporary layoffs. The Company recorded a charge of $3.9 million associated with this program.