

MINERALS TECHNOLOGIES INC  
Form 10-Q  
April 27, 2009

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 March 29, 2009

or

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

Commission File Number 1-3295

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MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

25-1190717

(I.R.S. Employer  
Identification No.)

405 Lexington Avenue, New York, New York 10174-0002

(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  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.

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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

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 April 11, 2009 |
|--------------------------------|-------------------------------|
| Common Stock, \$0.10 par value | 18,725,006                    |

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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 INCOME**  
(Unaudited)

| (in thousands, except per share data)                        | Three Months Ended |                |
|--|--------------------|----------------|
|  | March 29, 2009     | March 30, 2008 |
| Net sales  | \$ 208,259         | \$ 277,520     |
| Cost of goods sold   | <u>175,015</u>     | <u>216,785</u> |
| Production margin  | 33,244             | 60,735         |
| Marketing and administrative expenses                        | 20,546             | 26,040         |
| Research and development expenses                            | 4,861              | 6,120          |
| Restructuring and other costs                                | <u>549</u>         | <u>1,432</u>   |
| Income from operations                                       | 7,288              | 27,143         |
| Non-operating deductions, net                                | <u>(255)</u>       | <u>(1,514)</u> |
| Income from continuing operations before provision for taxes | 7,033              | 25,629         |
| Provision for taxes on income                                | <u>1,952</u>       | <u>7,945</u>   |
| Income from continuing operations, net of tax                | 5,081              | 17,684         |
| Income (loss) from discontinued operations, net of tax       | <u>(88)</u>        | <u>376</u>     |
| Consolidated net income                                      | 4,993              | 18,060         |

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|   |              |               |
|---|--------------|---------------|
| Less: Net income attributable to non-controlling interests  | <u>(836)</u> | <u>(853)</u>  |
| Net income attributable to Minerals Technologies Inc. (MTI) | <u>4,157</u> | <u>17,207</u> |

**Earnings per share:**

Basic:

|  |                |                |
|--|----------------|----------------|
| Income from continuing operations attributable to MTI          | \$ 0.23        | \$ 0.88        |
| Income (loss) from discontinued operations attributable to MTI | <u>(0.01)</u>  | <u>0.02</u>    |
| Basic earnings per share attributable to MTI                   | <u>\$ 0.22</u> | <u>\$ 0.90</u> |

Diluted:

|  |                |                |
|--|----------------|----------------|
| Income from continuing operations attributable to MTI          | \$ 0.23        | \$ 0.88        |
| Income (loss) from discontinued operations attributable to MTI | <u>(0.01)</u>  | <u>0.02</u>    |
| Diluted earnings per share attributable to MTI                 | <u>\$ 0.22</u> | <u>\$ 0.90</u> |

|  |                |                |
|--|----------------|----------------|
| Cash dividends declared per common share | <u>\$ 0.05</u> | <u>\$ 0.05</u> |
|--|----------------|----------------|

**Shares used in computation of earnings per share:**

|         |        |        |
|---------|--------|--------|
| Basic   | 18,703 | 19,076 |
| Diluted | 18,724 | 19,179 |

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

| (thousands of dollars)  | March 29,<br>2009* | December<br>31,<br>2008** |
|---|--------------------|---------------------------|
| Current assets:   |                    |                           |
| Cash and cash equivalents   | \$ 191,160         | \$ 181,876                |
| Short-term investments, at cost which approximates market   | 10,873             | 9,258                     |
| Accounts receivable, net  | 163,909            | 163,475                   |
| Inventories   | 115,992            | 133,983                   |
| Prepaid expenses and other current assets   | 23,045             | 23,281                    |
| Assets held for disposal  | <u>21,954</u>      | <u>19,674</u>             |
| Total current assets  | 526,933            | 531,547                   |
| Property, plant and equipment, less accumulated depreciation and depletion -<br>March 29, 2009 - \$901,553; December 31, 2008 - \$894,638 | 411,623            | 429,593                   |
| Goodwill  | 66,071             | 66,414                    |
| Prepaid pension costs   | 500                | 483                       |
| Other assets and deferred charges   | <u>33,903</u>      | <u>39,583</u>             |

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Total assets \$ 1,039,030    \$ 1,067,620

LIABILITIES AND SHAREHOLDERS' EQUITY

|  |                     |                     |
|--|---------------------|---------------------|
| Current liabilities:                       |                     |                     |
| Short-term debt                            | \$ 10,863           | \$ 14,984           |
| Current maturities of long-term debt       | 4,000               | 4,000               |
| Accounts payable                           | 63,258              | 67,393              |
| Restructuring liabilities                  | 5,511               | 6,840               |
| Other current liabilities                  | 50,079              | 56,902              |
| Liabilities of assets held for disposal    | <u>1,021</u>        | <u>734</u>          |
| Total current liabilities                  | 134,732             | 150,853             |
| Long-term debt                             | 97,221              | 97,221              |
| Other non-current liabilities              | <u>82,064</u>       | <u>84,715</u>       |
| Total liabilities                          | <u>314,017</u>      | <u>332,789</u>      |
| Shareholders' equity:                      |                     |                     |
| Common stock                               | 2,887               | 2,883               |
| Additional paid-in capital                 | 313,281             | 312,972             |
| Retained earnings                          | 866,824             | 863,601             |
| Accumulated other comprehensive loss       | (45,388)            | (31,634)            |
| Less common stock held in treasury         | <u>(436,238)</u>    | <u>(436,238)</u>    |
| Total MTI shareholders' equity             | 701,366             | 711,584             |
| Non-controlling interest                   | <u>23,647</u>       | <u>23,247</u>       |
| Total shareholders' equity                 | <u>725,013</u>      | <u>734,831</u>      |
| Total liabilities and shareholders' equity | <u>\$ 1,039,030</u> | <u>\$ 1,067,620</u> |

\* Unaudited

\*\* Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

|  | <u>Three Months Ended</u> |                               |
|--|---------------------------|-------------------------------|
|  | <u>March<br/>29, 2009</u> | <u>March<br/>30,<br/>2008</u> |
| <b>(thousands of dollars)</b>              |                           |                               |
| <b>Operating Activities:</b>               |                           |                               |
| Net income                                 | \$ 4,157                  | \$ 17,207                     |
| Income (loss) from discontinued operations | <u>(88)</u>               | <u>376</u>                    |
| Income from continuing operations          | 4,245                     | 16,831                        |

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|  |                   |                   |
|--|-------------------|-------------------|
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                   |                   |
| Depreciation, depletion and amortization   | 18,389            | 19,734            |
| Payments relating to restructuring activities  | (1,721)           | (9,421)           |
| Tax benefits related to stock incentive programs   | --                | 809               |
| Other non-cash items   | 1,528             | 2,548             |
| Net changes in operating assets and liabilities  | <u>3,311</u>      | <u>(26,642)</u>   |
| Net cash provided by operating activities - continuing operations                        | 25,752            | 3,859             |
| Net cash provided by (used in) operating activities - discontinued operations            | <u>(2,169)</u>    | <u>2,217</u>      |
| Net cash provided by operating activities  | <u>23,583</u>     | <u>6,076</u>      |
| <b>Investing Activities:</b>   |                   |                   |
| Purchases of property, plant and equipment   | (4,546)           | (10,027)          |
| Proceeds from sale of short-term investments   | --                | 520               |
| Purchases of short-term investments  | <u>(1,633)</u>    | <u>(3,105)</u>    |
| Net cash used in investing activities - continuing operations                            | (6,179)           | (12,612)          |
| Net cash used in investing activities - discontinued operations                          | <u>--</u>         | <u>(51)</u>       |
| Net cash used in investing activities  | <u>(6,179)</u>    | <u>(12,663)</u>   |
| <b>Financing Activities:</b>   |                   |                   |
| Repayment of long-term debt  | --                | (4,983)           |
| Net proceeds (repayment) of short-term debt  | (2,266)           | 13,366            |
| Purchase of common shares for treasury   | --                | (15,986)          |
| Proceeds from issuance of stock under option plan  | --                | 4,988             |
| Excess tax benefits related to stock incentive programs                                  | --                | 333               |
| Cash dividends paid  | <u>(935)</u>      | <u>(956)</u>      |
| Net cash used in financing activities  | <u>(3,201)</u>    | <u>(3,238)</u>    |
| Effect of exchange rate changes on cash and cash equivalents                             | <u>(4,919)</u>    | <u>7,639</u>      |
| Net increase (decrease) in cash and cash equivalents                                     | 9,284             | (2,186)           |
| Cash and cash equivalents at beginning of period   | <u>181,876</u>    | <u>128,985</u>    |
| Cash and cash equivalents at end of period   | <u>\$ 191,160</u> | <u>\$ 126,799</u> |
| <b>Supplemental disclosure of cash flow information:</b>                                 |                   |                   |
| Interest paid  | <u>\$ 435</u>     | <u>\$ 660</u>     |
| Income taxes paid  | <u>\$ 3,153</u>   | <u>\$ 3,508</u>   |
| Non-cash financing activities:   |                   |                   |
| Treasury stock purchases settled after period-end  | <u>\$ --</u>      | <u>\$ 1,997</u>   |

See accompanying Notes to Condensed Consolidated Financial Statements.

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, 2008. 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 period ended March 29, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

## 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.

### Non-controlling interests

On January 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51". Under the provisions of this statement, the income statement presentation has been revised to separately present consolidated net income, which now includes the amounts attributable to the Company plus noncontrolling interests (minority interests), and net income attributable solely to the Company. In addition, noncontrolling interests, formerly termed minority interests, are considered a component of equity for all periods presented. Noncontrolling interests were previously classified within other long-term liabilities. Prior year presentations have been restated to conform with the new statement

## 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:

|  | Three Months Ended   |                      |
|--|----------------------|----------------------|
|  | March<br>29,<br>2009 | March<br>30,<br>2008 |
| <b>Basic EPS</b><br>(in millions, except per share data)       |                      |                      |
| Income from continuing operations attributable to MTI          | \$ 4.3               | \$ 16.8              |
| Income (loss) from discontinued operations attributable to MTI | (0.1 )               | 0.4                  |

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|                                     |               |                |
|-------------------------------------|---------------|----------------|
| Net income attributable to MTI      | \$ <u>4.2</u> | \$ <u>17.2</u> |
| Weighted average shares outstanding | 18,703        | 19,076         |
|                                     |               | &nb            |