

MATERIAL SCIENCES CORP
Form 10-Q
October 07, 2010

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 August 31, 2010

Commission File Number 1-8803

MATERIAL SCIENCES CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

95-2673173
(IRS employer

incorporation or organization)

identification number)

2200 East Pratt Boulevard

Elk Grove Village, Illinois
(Address of principal executive offices)

60007
(Zip code)

Registrant's telephone number, including area code: (847) 439-2210

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 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 (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

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As of September 30, 2010, there were 12,909,133 outstanding shares of common stock, \$.02 par value.

MATERIAL SCIENCES CORPORATION

FORM 10-Q

For the Quarter Ended August 31, 2010

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

- (a) Financial statements of Material Sciences Corporation and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

Material Sciences Corporation and Subsidiaries

| (In thousands, except per share data) | Three Months Ended August 31, | | Six Months Ended August 31, | |
|--|----------------------------------|------------|--------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net Sales | \$ 33,121 | \$ 31,116 | \$ 75,588 | \$ 62,943 |
| Cost of Sales | 26,532 | 28,092 | 59,516 | 57,453 |
| Gross Profit | 6,589 | 3,024 | 16,072 | 5,490 |
| Selling, General and Administrative Expenses | 4,968 | 6,794 | 10,254 | 13,449 |
| Asset Impairment Charges | | | 3,720 | |
| Gain on Sale of Assets | (1,912) | | (6,639) | |
| Restructuring | | | 1,145 | |
| Income (Loss) from Operations | 3,533 | (3,770) | 7,592 | (7,959) |
| Other Income, Net: | | | | |
| Interest Income, Net | 16 | 72 | 41 | 143 |
| Equity in Results of Joint Venture | 102 | 130 | 208 | 166 |
| Other, Net | 272 | 43 | 391 | 86 |
| Total Other Income, Net | 390 | 245 | 640 | 395 |
| Income (Loss) from Operations Before Provision (Benefit) for Income Taxes | 3,923 | (3,525) | 8,232 | (7,564) |
| Provision (Benefit) for Income Taxes | (14) | 98 | 288 | 116 |
| Net Income (Loss) | \$ 3,937 | \$ (3,623) | \$ 7,944 | \$ (7,680) |
| Basic Net Income (Loss) Per Share | \$ 0.31 | \$ (0.28) | \$ 0.62 | \$ (0.58) |
| Diluted Net Income (Loss) Per Share | \$ 0.30 | \$ (0.28) | \$ 0.61 | \$ (0.58) |
| Weighted Average Number of Common Shares Outstanding Used for Basic Net Income (Loss) Per Share | 12,906 | 13,000 | 12,906 | 13,173 |
| Dilutive Shares | 52 | | 24 | |
| Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares | 12,958 | 13,000 | 12,930 | 13,173 |
| Outstanding Common Stock Options Having No Dilutive Effect | 257 | 472 | 261 | 472 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheets (Unaudited)

Material Sciences Corporation and Subsidiaries

| (In thousands) | August 31, 2010 | February 28, 2010 |
|---|--------------------|----------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 34,751 | \$ 12,866 |
| Receivables, Less Reserves of \$607 and \$716, Respectively | 18,275 | 22,399 |
| Income Taxes Receivable | 189 | 604 |
| Prepaid Expenses | 869 | 484 |
| Inventories | 17,468 | 19,862 |
| Assets Held for Sale | | 2,916 |
| Total Current Assets | 71,552 | 59,131 |
| Property, Plant and Equipment | 116,608 | 171,993 |
| Accumulated Depreciation | (86,239) | (130,855) |
| Net Property, Plant and Equipment | 30,369 | 41,138 |
| Other Assets: | | |
| Investment in Joint Venture | 3,478 | 3,127 |
| Other | 168 | 654 |
| Total Other Assets | 3,646 | 3,781 |
| Total Assets | \$ 105,567 | \$ 104,050 |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 12,803 | \$ 16,935 |
| Accrued Payroll Related Expenses | 3,041 | 4,232 |
| Accrued Expenses | 5,804 | 6,391 |
| Total Current Liabilities | 21,648 | 27,558 |
| Long-Term Liabilities: | | |
| Pension and Postretirement Liabilities | 10,191 | 10,775 |
| Other | 2,935 | 3,037 |
| Total Long-Term Liabilities | 13,126 | 13,812 |
| Commitments and Contingencies | | |
| Shareowners' Equity: | | |
| Preferred Stock | | |
| Common Stock | 380 | 380 |
| Additional Paid-In Capital | 79,904 | 79,784 |
| Treasury Stock at Cost | (56,774) | (56,774) |
| Retained Earnings | 51,485 | 43,541 |

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| | | |
|---|------------|------------|
| Accumulated Other Comprehensive Income | (4,202) | (4,251) |
| Total Shareowners' Equity | 70,793 | 62,680 |
| Total Liabilities and Shareowners' Equity | \$ 105,567 | \$ 104,050 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

Material Sciences Corporation and Subsidiaries

| (In thousands) | Six Months Ended August 31, | |
|---|--------------------------------|------------|
| | 2010 | 2009 |
| Cash Flows From: | | |
| Operating Activities: | | |
| Net Income (Loss) | \$ 7,944 | \$ (7,680) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Gain on Sale of Fixed Assets | (6,639) | |
| Non-Cash Loss on Impairment of Fixed Assets | 3,720 | |
| Depreciation, Amortization and Accretion | 3,123 | 4,414 |
| Compensatory Effect of Stock Plans | 105 | 119 |
| Loss on Derivative Instruments | | 33 |
| Other, Net | (103) | (365) |
| Changes in Assets and Liabilities: | | |
| Receivables | 2,260 | (1,982) |
| Income Taxes Receivable | 415 | 1,699 |
| Prepaid Expenses | (388) | (560) |
| Inventories | 2,239 | 6,488 |
| Accounts Payable | (3,714) | 4,176 |
| Accrued Expenses | (1,648) | (1,539) |
| Other, Net | (401) | 310 |
| Net Cash Provided by Operating Activities | 6,913 | 5,113 |
| Investing Activities: | | |
| Capital Expenditures | (834) | (535) |
| Proceeds from Sale of Assets | 14,089 | |
| Proceeds from Note Receivable | 1,732 | 944 |
| Net Cash Provided by Investing Activities | 14,987 | 409 |
| Financing Activities: | | |
| Purchases of Treasury Stock | | (628) |
| Issuance of Common Stock | 15 | 3 |
| Net Cash Used in Financing Activities | 15 | (625) |
| Effect of Exchange Rate Changes on Cash | (30) | 86 |
| Net Increase in Cash | 21,885 | 4,983 |
| Cash and Cash Equivalents at Beginning of Period | | |