

BANTA CORP
Form 10-Q
May 10, 2004

**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 April 3, 2004

OR

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 1-14637

BANTA CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin

39-0148550

(State or other jurisdiction of incorporation or organization)

(IRS Employer I.D. Number)

225 Main Street, Menasha, Wisconsin

54952

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (920) 751-7777

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common stock outstanding as of April 21, 2004 24,889,693 shares.

BANTA CORPORATION AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Quarter Ended April 3, 2004

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BANTA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Dollars in thousands)	
	April 3, 2004	January 3, 2004
<u>ASSETS</u>	(unaudited)	
Current Assets		
Cash and cash equivalents	\$ 139,710	\$ 181,112
Receivables	238,657	234,219
Inventories	74,787	75,150
Other current assets	29,259	32,685
Total Current Assets	482,413	523,166
Plant and equipment	968,244	952,475
Less accumulated depreciation	678,405	666,128
Plant and equipment, net	289,839	286,347
Goodwill	65,723	65,835
Other assets	7,286	10,675
Total Assets	\$ 845,261	\$ 886,023
<u>LIABILITIES AND SHAREHOLDERS' INVESTMENT</u>		
Current Liabilities		
Accounts payable	\$ 133,103	\$ 132,841
Accrued salaries and wages	31,266	38,987
Other accrued liabilities	31,218	27,901
Current maturities of long-term debt	24,080	24,122
Total Current Liabilities	219,667	223,851
Long-term debt	86,487	87,712
Deferred income taxes	14,572	14,793
Other non-current liabilities	42,859	46,238
Total Liabilities	363,585	372,594
Shareholders' Investment		
Preferred stock-\$10 par value; authorized 300,000 shares; none issued	--	--
Common stock-\$.10 par value, authorized 75,000,000 shares; 29,146,093 and 29,048,188 shares issued, respectively	2,915	2,905
Amount in excess of par value of stock	37,315	34,578
Accumulated other comprehensive income	13,388	14,037
Treasury stock, at cost - 4,256,400 and 3,256,400 shares, respectively	(113,865)	(70,175)
Retained earnings	541,923	532,084
Total Shareholders' Investment	481,676	513,429
	\$ 845,261	\$ 886,023

See accompanying notes to unaudited condensed consolidated financial statements

BANTA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands, except per share amounts)

	Three Months Ended	
	April 3, 2004	March 29, 2003
	<u> </u>	<u> </u>
Net sales	\$ 373,072	\$ 336,430
Cost of goods sold	296,930	264,873
	<u> </u>	<u> </u>
Gross earnings	76,142	71,557
Selling and administrative expenses	52,886	50,561
Restructuring charge	--	916
	<u> </u>	<u> </u>
Earnings from operations	23,256	20,080
Interest expense	(1,890)	(2,621)
Other income, net	618	787
	<u> </u>	<u> </u>
Earnings before income taxes	21,984	18,246
Provision for income taxes	7,910	7,000
	<u> </u>	<u> </u>
Net earnings	\$ 14,074	\$ 11,246
	<u> </u>	<u> </u>
Basic earnings per share of common stock	\$ 0.55	\$ 0.45
	<u> </u>	<u> </u>
Diluted earnings per share of common stock	\$ 0.54	\$ 0.44
	<u> </u>	<u> </u>
Cash dividends per share of common stock	\$ 0.17	\$ 0.16
	<u> </u>	<u> </u>

See accompanying notes to condensed consolidated financial statements

BANTA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

	(Dollars in thousands)	
	Three Months Ended	
	April 3, 2004	March 29, 2003
Cash Flows from Operating Activities		
Net earnings	\$ 14,074	\$ 11,246
Depreciation and amortization	15,127	16,464
Deferred income taxes	(727)	2,000
Tax benefit from the exercise of stock options	1,012	51
Gain on sale of plant and equipment	(482)	(436)
Change in assets and liabilities		
(Increase) decrease in receivables	(4,438)	5,180
Decrease in inventories	363	5,598
(Decrease) increase in accounts payable and accrued liabilities	(3,989)	6,802
Net change in other current assets and liabilities	3,932	482
Net change in other non-current assets and liabilities	10	1,795
	24,882	49,182
Cash provided from operating activities		
Cash Flows From Investing Activities		
Capital expenditures	(18,865)	(15,374)
Proceeds from the sale of plant and equipment	668	436
Business acquisition	--	(2,379)
	(18,197)	(17,317)
Cash used for investing activities		
Cash Flows From Financing Activities		
Repayments of long-term debt, net	(1,267)	(284)
Dividends paid	(4,388)	(4,040)
Proceeds from exercise of stock options	1,734	309
Repurchase of common stock	(43,690)	--
Other	--	(334)
	(47,611)	(4,349)
Cash used for financing activities		
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(476)	1,422
	(41,402)	28,938
Net (decrease) increase in cash		
Cash and cash equivalents at the beginning of period	181,112	154,836
	\$ 139,710	\$ 183,774
Cash and cash equivalents at the end of the period		
Cash payments for:		
Interest, net of capitalized interest	\$ 1,353	\$ 2,200
Income taxes	556	1,102

See accompanying notes to condensed consolidated financial statements

BANTA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 3, 2004
(UNAUDITED)

1) Basis of Presentation

The unaudited condensed consolidated financial statements of Banta Corporation (the Corporation) included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Corporation believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Corporation's latest Annual Report on Form 10-K.

In the opinion of management, the aforementioned financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. Results for the three months ended April 3, 2004 are not necessarily indicative of results that may be expected for the year ending January 1, 2005. Certain prior year amounts have been reclassified to conform to the 2004 presentation.

2) Inventories

Inventories consist of the following (dollars in thousands):

	<u>April 3, 2004</u>	<u>January 3, 2004</u>
Raw materials	\$ 32,992	\$ 33,134
Work-in-process and finished goods	41,795	42,016
	<u>\$ 74,787</u>	<u>\$ 75,150</u>

3) Earnings Per Share of Common Stock

Basic earnings per share of common stock is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share of common stock is computed by dividing net earnings by the weighted average number of common shares and common equivalent shares outstanding during the period. The common equivalent shares relate to the assumed exercise of stock options and the assumed settlement of the accelerated share repurchase agreement described in Note 9.

The weighted average shares used in the computation of earnings per share consist of the following (in millions of shares):

	Three Months Ended	
	<u>April 3, 2004</u>	<u>March 29, 2003</u>
Basic	25.7	25.3
Diluted	26.1	25.4

4) Comprehensive Earnings

Comprehensive earnings consist of the following (dollars in thousands):

	Three Months Ended	
	April 3, 2004	March 29, 2003
Net earnings	\$ 14,074	\$ 11,246
Other comprehensive earnings (loss):		
Foreign currency translation adjustments	(649)	1,422
Comprehensive earnings	<u>13,425</u>	<u>\$ 12,668</u>

5) Goodwill

Changes in the carrying amount of goodwill by segment for the quarter ended April 3, 2004 consist of the following (dollars in thousands):

	Print	Supply- chain management	Healthcare	Total
Balance at January 3, 2004	\$ 37,502	\$ 6,719	\$ 21,614	\$ 65,835
Translation adjustments for goodwill denominated in foreign currencies	-0-	(112)	-0-	(112)
Balance at April 3, 2004	<u>\$ 37,502</u>	<u>\$ 6,607</u>	<u>\$ 21,614</u>	<u>\$ 65,723</u>

6) Stock-Based Compensation

As of April 3, 2004, the Corporation's stock-based employee compensation plans are accounted for under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, because the number of shares is fixed and the exercise price of the stock options equals the market price of the underlying stock on the date of grant, no compensation expense has been recognized. The following table illustrates the effect on net earnings and earnings per share if the Corporation had applied the fair value recognition and measurement provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation (dollars in thousands, except per share amounts):

	Three Months Ended	
	April 3, 2004	March 29, 2003
Net earnings, as reported	\$ 14,074	\$ 11,246
Deduct:		
Compensation expense determined under SFAS No. 123, net of related taxes	(1,349)	(746)
Pro forma net earnings	\$ 12,725	\$ 10,500
Earnings per share		
As reported:		
Basic	\$ 0.55	\$ 0.45
Diluted	\$ 0.54	\$ 0.44
Pro forma:		
Basic	\$ 0.50	\$ 0.42
Diluted	\$ 0.49	\$ 0.41

7) Restructuring Charge

Effective January 1, 2003, the Corporation adopted SFAS No 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies the previous guidance on the subject. It requires, among other things, that a liability for a cost associated with an exit or disposal activity initiated after December 31, 2002 be recognized at fair value when the liability is incurred rather than at the commitment date to the exit or disposal plan.

On January 28, 2003, the Corporation announced a restructuring involving its consumer catalog business and a realignment of operating activities within its supply-chain management sector. The objective of the plan, which was implemented throughout 2003, was to consolidate certain operations, leverage existing capacity, improve efficiencies and reduce costs. For the quarter ended March 29, 2003, \$916,000 of restructuring charges were reflected in operating expenses. No restructuring charges were recorded during the quarter ended April 3, 2004.

The reconciliation of the beginning and ending restructuring liabilities included in the balance sheet for the first quarter of 2004 are as follows (dollars in thousands):

	Charge to Operations During 2003	Liability Balance at January 3, 2004	Payments Reductions	Liability Balance at April 3, 2004
Employee severance and benefits	\$ 9,329	\$ 2,613	\$ 1,615	\$ 998
Facility costs	2,755	2,755	323	2,432
Impaired assets and other liabilities	4,868	893	191	702