

Avery Dennison Corp
Form 10-Q
November 06, 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 29, 2012.

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: 1-7685

AVERY DENNISON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

95-1492269
(I.R.S. Employer Identification No.)

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incorporation or organization)

150 North Orange Grove Boulevard
Pasadena, California
(Address of principal executive offices)

91103
(Zip Code)

Registrant's telephone number, including area code: (626) 304-2000

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 o

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 x No o

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 definitions 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
(Do not check if a 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 o No x

Number of shares of \$1 par value common stock outstanding as of October 27, 2012: 99,593,063

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AVERY DENNISON CORPORATION

FISCAL THIRD QUARTER 2012 FORM 10-Q QUARTERLY REPORT

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SAFE HARBOR STATEMENT

The matters discussed in this Quarterly Report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, contain estimates, assumptions, projections and/or expectations regarding future events, which may or may not occur. Words such as aim, anticipate, assume, believe, continue, could, estimate, expect, guidance, intend, may, might, objective, plan, potential, project, seek, shall, should, target, will, would, expressions that refer to future events and trends, identify forward-looking statements. These forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties, which could cause actual results to differ materially from expected results, performance or achievements of the Company expressed or implied by such forward-looking statements.

Certain risks and uncertainties are discussed in more detail under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and subsequent Quarterly Reports on Form 10-Q, and include, but are not limited to, risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; the financial condition and inventory strategies of customers; changes in customer order patterns; worldwide and local economic conditions in the regions in which we operate; fluctuations in cost and availability of raw materials; ability of the Company to generate sustained productivity improvement; ability of the Company to achieve and sustain targeted cost reductions; impact of competitive products and pricing; loss of significant contract(s) or customer(s); collection of receivables from customers; selling prices; business mix shift; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; integration of acquisitions and completion of planned dispositions; amounts of future dividends and share repurchases; customer and supplier concentrations; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems; successful installation of new or upgraded information technology systems; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the Company to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal and regulatory proceedings, including with respect to environmental, health and safety; changes in governmental laws and regulations; changes in political conditions; impact of epidemiological events on the economy and the Company's customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

The Company believes that the most significant risk factors that could affect its financial performance in the near-term include: (1) the impact of economic conditions on underlying demand for the Company's products; (2) competitors' actions, including pricing, expansion in key markets, and product offerings; and (3) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume.

The Company's forward-looking statements are made only as of the date hereof. By making these forward-looking statements, the Company assumes no duty to update them to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

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PART 1. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED BALANCE SHEETS***(Unaudited)*

(Dollars in millions, except per share data)	September 29, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 190.7	\$ 178.0
Trade accounts receivable, less allowances of \$44.6 and \$43.3 at September 29, 2012 and December 31, 2011, respectively	1,001.5	877.1
Inventories, net	532.7	475.1
Current deferred and refundable income taxes	132.9	117.4
Assets held for sale	475.0	454.9
Other current assets	116.2	116.3
Total current assets	2,449.0	2,218.8
Property, plant and equipment	2,861.9	2,868.0
Accumulated depreciation	(1,854.5)	(1,788.6)
Property, plant and equipment, net	1,007.4	1,079.4
Goodwill	761.8	759.3
Other intangibles resulting from business acquisitions, net	139.3	161.2
Non-current deferred income taxes	298.6	322.3
Other assets	446.3	431.7
	\$ 5,102.4	\$ 4,972.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 674.4	\$ 227.1
Accounts payable	777.0	736.5
Current deferred and payable income taxes	69.7	81.8
Liabilities held for sale	147.0	154.5
Other current liabilities	485.9	447.2
Total current liabilities	2,154.0	1,647.1
Long-term debt	702.7	954.2
Long-term retirement benefits and other liabilities	521.6	587.1
Non-current deferred and payable income taxes	138.6	125.8
Commitments and contingencies (see Note 15)		
Shareholders' equity:		
Common stock, \$1 par value, authorized 400,000,000 shares at September 29, 2012 and December 31, 2011; issued 124,126,624 shares at September 29, 2012 and December 31, 2011; outstanding 99,747,988 shares and 106,269,919 shares at September 29, 2012 and December 31, 2011, respectively	124.1	124.1

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Capital in excess of par value	794.5	778.6
Retained earnings	1,890.0	1,810.5
Treasury stock at cost, 24,378,636 shares and 17,841,705 shares at September 29, 2012 and December 31, 2011, respectively	(982.9)	(791.5)
Accumulated other comprehensive loss	(240.2)	(263.2)
Total shareholders' equity	\$ 5,102.4	\$ 4,972.7

See Notes to Unaudited Condensed Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME*(Unaudited)*

(In millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net sales	\$ 1,487.8	\$ 1,500.4	\$ 4,503.4	\$ 4,571.7
Cost of products sold	1,095.8	1,133.5	3,324.0	3,408.98.

Identification and Classification of Members of the Group.

Not Applicable.

Item 9. Notice of Dissolution of Group.

Not Applicable.

Item 10. Certifications.

Each of the Reporting Persons hereby makes the following certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

2 Mr. Holman, as co-trustee of a trust which beneficially owns 50,000 shares of the Company's Common Stock, also shares dispositive and voting control over such shares.

CUSIP NO. 374163103

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

DATED: February 14, 2014

Ridgeback Capital Investments L.P.

By: Ridgeback Capital Investments Ltd.,
Its General Partner

By: /s/ Bud Holman
Name: Bud Holman
Title: Director

Ridgeback Capital Investments Ltd.

By: /s/ Bud Holman
Name: Bud Holman
Title: Director

Ridgeback Capital Management LP

By: /s/ Bud Holman
Name: Bud Holman
Title: Authorized Signatory

CUSIP NO. 374163103

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Joint Filing Agreement*

*Previously filed.