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STEPAN CO
Form 10-Q
October 28, 2015

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 30, 2015

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 1-4462

STEPAN COMPANY

(Exact name of registrant as specified in its charter)

Delaware	36-1823834
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Edens and Winnetka Road, Northfield, Illinois 60093

(Address of principal executive offices)

Registrant's telephone number (847) 446-7500

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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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

(Check one): 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 October 21, 2015
Common Stock, \$1 par value	22,260,252 Shares

Part I FINANCIAL INFORMATION

Item 1 - Financial Statements

STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30 2015	2014	September 30 2015	2014
Net Sales	\$444,011	\$491,429	\$1,356,876	\$1,472,982
Cost of Sales	366,413	426,330	1,123,324	1,273,270
Gross Profit	77,598	65,099	233,552	199,712
Operating Expenses:				
Selling	14,025	16,816	41,287	44,455
Administrative	12,154	14,933	55,548	38,416
Research, development and technical services	12,625	11,097	37,012	35,151
	38,804	42,846	133,847	118,022
Gain on sale of product line	—	—	2,862	—
Operating Income	38,794	22,253	102,567	81,690
Other Income (Expense):				
Interest, net	(3,837)	(2,846)	(10,760)	(8,824)
Loss from equity in joint ventures	(863)	(1,148)	(3,918)	(3,842)
Other, net (Note 13)	(981)	(31)	(94)	499
	(5,681)	(4,025)	(14,772)	(12,167)
Income Before Provision for Income Taxes	33,113	18,228	87,795	69,523
Provision for Income Taxes	8,179	4,748	24,634	18,667
Net Income	24,934	13,480	63,161	50,856
Net (Income) Loss Attributable to Noncontrolling Interests (Note 2)	(22)	11	(65)	6
Net Income Attributable to Stepan Company	\$24,912	\$13,491	\$63,096	\$50,862
Net Income Per Common Share Attributable to Stepan Company (Note 9):				
Basic	\$1.10	\$0.59	\$2.78	\$2.24
Diluted	\$1.09	\$0.59	\$2.76	\$2.22
Shares Used to Compute Net Income Per Common Share Attributable to Stepan Company (Note 9):				
Basic	22,732	22,726	22,731	22,754
Diluted	22,853	22,875	22,851	22,923

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Dividends Declared Per Common Share	\$0.18	\$0.17	\$0.54	\$0.51
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The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

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STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30 2015	September 30 2014	September 30 2015	September 30 2014
Net income	\$24,934	\$13,480	\$63,161	\$50,856
Other comprehensive income (loss):				
Foreign currency translation adjustments (Note 10)	(19,793)	(19,521)	(38,988)	(15,709)
Pension liability adjustment, net of tax (Note 10)	722	429	2,221	1,249
Derivative instrument activity, net of tax (Note 10)	(14)	2	(40)	6
Total other comprehensive loss	(19,085)	(19,090)	(36,807)	(14,454)
Comprehensive income	5,849	(5,610)	26,354	36,402
Comprehensive (income) loss attributable to noncontrolling interests (Note 2)	21	(14)	(24)	28
Comprehensive income (loss) attributable to Stepan Company	\$5,870	\$(5,624)	\$26,330	\$36,430

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

STEPAN COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(In thousands)	September 30, 2015	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 160,457	\$ 85,215
Receivables, net	267,460	270,436
Inventories (Note 6)	179,853	183,233
Deferred income taxes	15,874	15,364
Other current assets	21,735	21,308
Total current assets	645,379	575,556
Property, Plant and Equipment:		
Cost	1,429,909	1,385,851
Less: accumulated depreciation	(886,372)	(861,656)
Property, plant and equipment, net	543,537	524,195
Goodwill, net	11,315	11,502
Other intangible assets, net	18,659	20,803
Long-term investments (Note 3)	19,362	20,217
Other non-current assets	9,782	9,741
Total assets	\$ 1,248,034	