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BUCKEYE TECHNOLOGIES INC

Form 8-K

August 03, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (D) OF THE
THE SECURITIES ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): August 2, 2004

BUCKEYE TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

33-60032
(Commission File Number)

62-1518973
(I.R.S. Employer Identification No.)

1001 Tillman Street, Memphis, Tennessee 38112
(Address of principal executive offices)

Registrant's telephone, including area code (901) 320-8100

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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On July 26, 2004, Buckeye Technologies Inc. (the "Company") issued a press release regarding its results of operations for the year ended June 30, 2004, including a statement of operations for that quarter, a consolidated balance sheet as of June 30, 2004, a consolidated statement of cash flow for that quarter, and supplemental financial data. In addition, on August 3, 2004, the Company will hold a teleconference at 9:30 a.m. Central to discuss the year end. The teleconference can be accessed via the website www.streetevents.com, the Company's website homepage at www.bkitech.com or via telephone at (888) 857-6929 within the United States or (719)457-2600 for international callers.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized,

BUCKEYE TECHNOLOGIES INC.

/S/ KRISTOPHER J. MATULA

Kristopher J. Matula
Executive Vice President and
Chief Financial Officer
July 26, 2004

News from
[OBJECT OMITTED]

FOR IMMEDIATE RELEASE

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and Chief Financial Officer
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Website: www.bkitech.com

BUCKEYE REPORTS FOURTH QUARTER RESULTS

MEMPHIS, TN August 2, 2004 - Buckeye Technologies Inc. (NYSE:BKI) today announced that it earned \$1.4 million after tax (\$.04 per share) in the quarter ended June 30, 2004. The Company's results include \$2 million after tax in restructuring and impairment charges primarily related to the previously announced closures of its facilities in Cork, Ireland and Lumberton, North Carolina.

During the same quarter of the prior year, the Company incurred a loss of \$5.2 million after tax (\$.14 per share) which included \$5.4 million after tax in restructuring and impairment charges, primarily relating to the partial closure of the Lumberton plant and the impairment of idle nonwovens equipment.

Excluding the impairment and restructuring charges, the Company earned \$3.4 million after tax (\$.09 per share) in April-June 2004. This compares to earnings of \$0.2 million after tax (\$.01 per share) in the same period a year ago.

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During fiscal year 2004, the Company incurred a loss of \$38.2 million after tax (\$1.03 per share) including impairment, restructuring, and refinancing costs of \$36.6 million after tax (\$.99 per share). This compares to a loss of \$24.9 million after tax (\$.67 per share) in fiscal 2003, which included a \$24.7 million after tax impairment and restructuring charge (also \$.67 per share).

Net sales for the April-June quarter were \$168 million, equal to sales in the same quarter of the prior year. Net sales for fiscal 2004 were \$656.9 million, 2.5% above the \$641.1 million achieved in the prior year.

Buckeye Chairman, David B. Ferraro, stated, "Although fiscal 2004 was a disappointing year for Buckeye, we are encouraged by recent strengthening trends in our markets. The restructuring steps we have taken are improving our efficiency and enabling us to more effectively utilize our capacity. We are confident that we have implemented the right plans to improve future earnings."

Mr. Ferraro went on to say, "During April-June, we achieved a gross margin of 15.5%, which represents a 3.4 percentage point improvement over the 12.1% gross margin achieved during the year ago quarter. We remain committed to achieving additional margin improvement and restoring our profitability to historical levels."

Buckeye, a leading manufacturer and marketer of specialty fiber and nonwoven materials, is headquartered in Memphis, Tennessee, USA. The Company currently operates facilities in the United States, Germany, Canada, and Brazil. Its products are sold worldwide to makers of consumer and industrial goods.

Certain matters discussed in this press release may constitute forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties, including but not limited to economic, competitive, governmental, and technological factors affecting the Company's operations, financing, markets, products, services and prices, and other factors. For further information on factors which could impact the Company and the statements contained herein, please refer to public filings with the Securities and Exchange Commission.

Consolidated Statements of Operations (In thousands, except per share data)

| | Three Months Ended | | |
|---|--------------------|-------------------|------------------|
| | June 30, 2004 | March 31, 2004 | June 30, 2003 |
| Net sales..... | \$168,042 | \$172,761 | \$168,014 |
| Cost of goods sold..... | 142,053 | 151,031 | 147,602 |
| Gross margin..... | 25,989 | 21,730 | 20,412 |
| Selling, research and administrative expenses..... | 10,438 | 9,445 | 10,543 |
| Impairment of long-lived assets..... | 1,075 | 43,891 | 6,757 |
| Restructuring costs..... | 2,073 | 143 | 1,636 |
| Operating income (loss) | 12,403 | (31,749) | (1,476) |
| Net interest expense and amortization of debt costs.. | 11,305 | 11,369 | 11,222 |

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| | | | |
|--|----------|------------|-----------|
| Loss on early extinguishment of debt..... | - | - | - |
| Foreign exchange, amortization of intangibles, other. | 268 | 149 | 197 |
| | ----- | ----- | ----- |
| Income (loss) before income taxes..... | 830 | (43,267) | (9,943) |
| Income tax benefit..... | (580) | (15,762) | (4,782) |
| | ----- | ----- | ----- |
| Income (loss) before cumulative effect of change in accounting..... | 1,410 | (27,505) | (5,161) |
| Cumulative effect of change in accounting (net of tax of \$3,359)..... | - | - | - |
| | ----- | ----- | ----- |
| Net income (loss)..... | \$ 1,410 | \$(27,505) | \$(5,161) |
| Earnings (loss) per share before cumulative effect of change in accounting | | | |
| Basic earnings (loss) per share..... | \$0.04 | \$(0.74) | \$(0.14) |
| Diluted earnings (loss) per share | \$0.04 | \$(0.74) | \$(0.14) |
| Cumulative effect of change in accounting | | | |
| Basic earnings (loss) per share..... | \$ - | \$ - | \$ - |
| Diluted earnings (loss) per share..... | \$ - | \$ - | \$ - |
| Earnings (loss) per share | | | |
| Basic earnings (loss) per share..... | \$0.04 | \$(0.74) | \$(0.14) |
| Diluted earnings (loss) per share..... | \$0.04 | \$(0.74) | \$(0.14) |
| Weighted average shares for basic earnings per share. | 37,234 | 37,009 | 36,973 |
| Adjusted weighted average shares for diluted earnings per share..... | 37,369 | 37,009 | 36,973 |
| Proforma amounts, assuming change in accounting method is applied retroactively: | | | |
| Net income (loss)..... | \$1,410 | \$(27,505) | \$(4,811) |
| Basic earnings (loss) per share..... | \$ 0.04 | \$(0.74) | \$(0.14) |
| Diluted earnings (loss) per share..... | \$ 0.04 | \$(0.74) | \$(0.14) |

Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

| | June 30 | |
|---|-----------|-----------|
| | 2004 | 2003 |
| | ----- | ----- |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents..... | \$ 27,235 | \$ 27,235 |
| Cash, restricted..... | | |
| Accounts receivable, net..... | 112,367 | 112,367 |
| Inventories..... | 107,439 | 107,439 |
| Deferred income taxes and other..... | 10,207 | 10,207 |
| | ----- | ----- |
| Total current assets..... | 257,248 | 257,248 |
| Property, plant and equipment, net..... | 537,632 | 537,632 |

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| | | |
|--|------------|--------|
| Goodwill, net..... | 130,172 | 1 |
| Intellectual property and other, net..... | 41,023 | |
| | ----- | |
| Total assets..... | \$ 966,075 | \$ 1,0 |
| | ===== | |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable..... | \$ 27,130 | \$ |
| Accrued expenses..... | 45,337 | |
| Current portion of capital lease obligation..... | 632 | |
| Current portion of long-term debt..... | 16,972 | |
| | ----- | |
| Total current liabilities..... | 90,071 | 1 |
| Long-term debt..... | 587,076 | 6 |
| Deferred income taxes..... | 37,956 | |
| Capital lease obligation..... | 2,068 | |
| Other liabilities..... | 19,559 | |
| Stockholders' equity..... | 229,345 | 2 |
| | ----- | |
| Total liabilities and stockholders' equity..... | \$966,075 | \$ 1,0 |
| | ===== | |

Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Year Ended June 30 | |
|---|--------------------|-----------|
| | 2004 | 2003 |
| | ----- | ----- |
| Operating activities | | |
| Net loss..... | \$ (38,190) | \$ (24,89 |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Cumulative effect of change in accounting..... | (5,720) | |
| Impairment charge of long-lived assets..... | 45,908 | 36,50 |
| Depreciation..... | 45,675 | 46,50 |
| Amortization..... | 4,227 | 5,58 |
| Loss on early extinguishment of debt..... | 4,940 | - |
| Deferred income taxes..... | (27,340) | (13,48 |
| Other..... | 4,877 | 58 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable..... | 11,716 | (25,26 |
| Inventories..... | 29,838 | 14,28 |
| Prepaid expenses and other assets..... | (1,302) | 13,82 |
| Accounts payable and other current liabilities | (8,973) | 1,56 |
| | ----- | ----- |
| Net cash provided by operating activities..... | 65,656 | 55,20 |
| Investing activities | | |
| Purchases of property, plant and equipment..... | (31,871) | (28,42 |
| Redemption of short term investments..... | - | 8,86 |
| Other..... | (374) | (87 |
| | ----- | ----- |

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| | | |
|---|-----------|----------|
| Net cash used in investing activities..... | (32,245) | (20,43 |
| Financing activities | | |
| Proceeds from exercise of options | 2,667 | |
| Net payments under revolving line of credit..... | (224,026) | (19,92 |
| Issuance of long-term debt..... | 350,000 | - |
| Payments for debt issuance costs..... | (9,070) | (67 |
| Payments related to early extinguishment of debt..... | (2,115) | |
| Proceeds from termination of swap | 4,000 | - |
| Principal payments on long-term debt and other..... | (178,333) | (22,53 |
| | ----- | ----- |
| Net cash provided by (used in) financing activities.. | (56,877) | (43,13 |
| | ----- | ----- |
| Effect of foreign currency rate fluctuations..... | 724 | 2,33 |
| Decrease in cash and cash equivalents..... | (22,742) | (6,02 |
| Cash and cash equivalents at beginning of year..... | 49,977 | 56,00 |
| | ----- | ----- |
| Cash and cash equivalents at end of year..... | \$ 27,235 | \$ 49,97 |
| | ===== | ===== |

Buckeye Technologies Inc.
Supplemental Financial Data
(In \$000)
(Unaudited)

| Segment Results | Three Months Ended | | |
|-----------------------------------|--------------------|-------------------|------------------|
| | June 30, 2004 | March 31, 2004 | June 30, 2003 |
| | ----- | ----- | ----- |
| Specialty fibers | | | |
| Net sales | \$118,165 | \$121,289 | \$118,892 |
| Operating income (a) | 12,714 | 10,896 | 8,159 |
| Depreciation and amortization (b) | 7,024 | 7,037 | 6,874 |
| Capital expenditures | 4,457 | 4,596 | 7,723 |
| Nonwoven Materials | | | |
| Net sales | \$55,987 | \$ 57,259 | \$ 52,804 |
| Operating income (a) | 2,595 | 1,349 | 1,659 |
| Depreciation and amortization (b) | 3,633 | 4,782 | 4,382 |
| Capital expenditures | 884 | 636 | 1,262 |
| Corporate | | | |
| Net sales | \$ (6,110) | \$ (5,787) | \$ (3,682) |
| Operating income (a) | (2,906) | (43,994) | (8,342) |
| Depreciation and amortization (b) | 828 | 831 | 508 |
| Capital expenditures | 73 | 35 | 167 |
| Total | | | |
| Net sales | \$168,042 | \$172,761 | \$168,014 |
| Operating income (a) | 12,403 | (31,749) | 1,476 |

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| | | | |
|-----------------------------------|--------|--------|--------|
| Depreciation and amortization (b) | 11,485 | 12,650 | 11,764 |
| Capital expenditures | 5,414 | 5,267 | 9,152 |

- (a) Asset impairment and restructuring costs are included in operating income for the corporate segment.
- (b) Depreciation and amortization includes depreciation, depletion and amortization of intangibles. Only the Corporate grouping has amortization of intangibles that is excluded from the determination of operating income.

| Adjusted EBITDA | Three Months Ended | | |
|--|--------------------|-------------------|------------------|
| | June 30, 2004 | March 31, 2004 | June 30, 2003 |
| Income (loss) before cumulative effect of change in accounting | \$ 1,410 | \$ (27,505) | \$ (5,161) |
| Income tax benefit | (580) | (15,762) | (4,782) |
| Net interest expense | 10,900 | 11,043 | 10,623 |
| Amortization of debt costs | 405 | 326 | 599 |
| Early extinguishment of debt | - | - | - |
| Depreciation, depletion and amortization | 11,485 | 12,650 | 12,212 |
| EBITDA | 23,620 | (19,248) | 13,491 |
| Interest income | 216 | 247 | 237 |
| Asset impairments | 1,075 | 43,891 | 6,757 |
| Loss on disposal of assets | 304 | 20 | 122 |
| Restructuring charges (c) | 492 | 143 | 1,636 |
| Restatement due to change in accounting | - | - | - |
| Adjusted EBITDA | \$25,707 | \$25,053 | \$22,243 |

We calculate EBITDA as earnings before cumulative effect of change in accounting plus net interest expense, income taxes and depreciation and amortization. Adjusted EBITDA further adjusts EBITDA by adding back the following items: interest income, cumulative effect of changes in accounting, asset impairment charges, restructuring charges and other (gains) losses. You should not consider adjusted EBITDA to be an alternative measure of our net income, as an indicator of operating performance; or our cash flow as an indicator of liquidity. Adjusted EBITDA corresponds with the definition contained in our US revolving credit facility and it provides useful information concerning our ability to comply with debt covenants. Prior year calculations have been restated to conform with the current credit facility definition. Although we believe adjusted EBITDA enhances your understanding of our financial condition, this measure, when viewed individually, is not a better indicator of any trend as compared to other measures (e.g., net sales, net earnings, net cash flows, etc.)

On June 30, 2004, we had borrowing capacity of \$67.7 million on the revolving credit facility. The portion of this amount that we could borrow will depend on our financial results and ability to comply with certain borrowing conditions under the revolving credit facility.

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(c) The definition of Adjusted EBITDA limits the add back of restructuring charges to costs incurred from October 1, 2002 through June 30, 2004, provided that the aggregate amount does not exceed \$6.0 million. Since we exceeded the \$6.0 million threshold during the three months ended June 30, 2004, our add back was limited to \$492 of the \$2,073 of restructuring expense recorded during the quarter.