

STEPAN CO
Form 10-Q
August 03, 2012

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 JUNE 30, 2012

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

1-4462

Commission File Number

STEPAN COMPANY

(Exact name of registrant as specified in its charter)

Edgar Filing: STEPAN CO - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

36-1823834
(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

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 July 31, 2012
Common Stock, \$1 par value	10,369,660 Shares

Part I

FINANCIAL INFORMATION

Item 1 - Financial Statements

STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

<i>(In thousands, except per share amounts)</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2012	2011	2012	2011
Net Sales	\$ 470,231	\$ 476,989	\$ 935,500	\$ 899,587
Cost of Sales	396,835	407,404	785,320	768,216
Gross Profit	73,396	69,585	150,180	131,371
Operating Expenses:				
Selling	12,985	12,171	26,636	23,001
Administrative	14,086	12,680	31,038	23,554
Research, development and technical services	11,504	10,656	22,285	20,887
	38,575	35,507	79,959	67,442
Operating Income	34,821	34,078	70,221	63,929
Other Income (Expense):				
Interest, net	(2,086)	(2,194)	(4,690)	(4,257)
Loss from equity in joint ventures	(1,300)	(805)	(2,441)	(1,770)
Other, net (Note 12)	83	253	1,148	565
	(3,303)	(2,746)	(5,983)	(5,462)
Income Before Provision for Income Taxes	31,518	31,332	64,238	58,467
Provision for Income Taxes	10,007	10,326	20,363	18,645
Net Income	21,511	21,006	43,875	39,822
Net Income Attributable to Noncontrolling Interests (Note 2)	(86)	(139)	(148)	(194)
Net Income Attributable to Stepan Company	\$ 21,425	\$ 20,867	\$ 43,727	\$ 39,628
Net Income Per Common Share Attributable to Stepan Company (Note 9):				
Basic	\$ 2.01	\$ 2.00	\$ 4.12	\$ 3.80
Diluted	\$ 1.89	\$ 1.87	\$ 3.85	\$ 3.55
Shares Used to Compute Net Income Per Common Share Attributable to Stepan Company (Note 9):				
Basic	10,550	10,345	10,537	10,335

Edgar Filing: STEPAN CO - Form 10-Q

Diluted	11,357	11,178	11,345	11,175
Dividends Declared Per Common Share	\$ 0.28	\$ 0.26	\$ 0.56	\$ 0.52

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

STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	June 30 2012	2011	June 30 2012	2011
Net income	\$ 21,511	\$ 21,006	\$ 43,875	\$ 39,822
Other comprehensive income (loss):				
Foreign currency translation adjustments	(10,554)	3,964	(2,020)	10,081
Pension liability adjustment, net of tax	582	521	1,164	1,044
Derivative instrument activity, net of tax	(43)	315	64	389
Other comprehensive income (loss)	(10,015)	4,800	(792)	11,514
Comprehensive income	11,496	25,806	43,083	51,336
Less: Comprehensive income attributable to noncontrolling interests	(65)	(167)	(202)	(236)
Comprehensive income attributable to Stepan Company	\$ 11,431	\$ 25,639	\$ 42,881	\$ 51,100

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

STEPAN COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

<i>(In thousands)</i>	June 30, 2012	December 31, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 69,523	\$ 84,099
Receivables, net	278,184	260,784
Inventories (Note 6)	137,852	111,175
Deferred income taxes	9,055	8,769
Other current assets	16,183	14,915
Total current assets	510,797	479,742
Property, Plant and Equipment:		
Cost	1,152,600	1,119,897
Less: accumulated depreciation	756,661	735,914
Property, plant and equipment, net	395,939	383,983
Goodwill, net	7,038	7,000
Other intangible assets, net	9,940	11,181
Long-term investments (Note 3)	13,445	12,464
Other non-current assets	6,138	6,748
Total assets	\$ 943,297	\$ 901,118
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt (Note 11)	\$ 33,294	\$ 34,487
Accounts payable	140,604	137,764
Accrued liabilities	61,615	60,975
Total current liabilities	235,513	233,226
Deferred income taxes	9,990	8,644
Long-term debt, less current maturities (Note 11)	162,049	164,967
Other non-current liabilities	90,878	88,816
Commitments and Contingencies (Note 7)		
Equity:		
5-1/2% convertible preferred stock, cumulative, voting, without par value; authorized 2,000,000 shares; issued and outstanding 518,293 shares in 2012 and in 2011	12,957	12,957
Common stock, \$1 par value; authorized 30,000,000 shares; Issued 11,831,942 shares in 2012 and 11,709,312 shares in 2011	11,832	11,709
Additional paid-in capital	101,564	94,932
Accumulated other comprehensive loss	(42,134)	(41,485)

Edgar Filing: STEPAN CO - Form 10-Q

Retained earnings	403,872	366,293
Less: Common treasury stock, at cost, 1,482,657 shares in 2012 and 1,462,980 shares in 2011	(44,932)	(43,195)
Total Stepan Company stockholders' equity	443,159	401,211
Noncontrolling interests (Note 2)	1,708	4,254
Total equity	444,867	405,465
Total liabilities and equity	\$ 943,297	\$ 901,118

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

STEPAN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited