

RPM INTERNATIONAL INC/DE/
Form 10-Q
October 07, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended August 31, 2011,

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 No. 1-14187

RPM International Inc.

(Exact name of Registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

02-0642224
(IRS Employer
Identification No.)

P.O. BOX 777;

2628 PEARL ROAD;

MEDINA, OHIO
(Address of principal executive offices)

44258
(Zip Code)

(330) 273-5090

(Registrant's telephone number including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 the 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 (Do not check if a smaller reporting company)

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

As of October 3, 2011

131,036,525 Shares of RPM International Inc. Common Stock were outstanding.

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RPM INTERNATIONAL INC. AND SUBSIDIARIES*

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* As used herein, the terms "RPM" and the "Company" refer to RPM International Inc. and its subsidiaries, unless the context indicates otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****RPM INTERNATIONAL INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(In thousands, except per share amounts)*

	August 31, 2011 (Unaudited)	May 31, 2011
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 373,355	\$ 435,011
Trade accounts receivable (less allowances of \$27,030 and \$27,597, respectively)	725,005	712,863
Inventories	495,830	463,120
Deferred income taxes	17,686	17,764
Prepaid expenses and other current assets	243,467	239,212
Total current assets	1,855,343	1,867,970
Property, Plant and Equipment, at Cost	1,010,855	998,245
Allowance for depreciation and amortization	(623,416)	(608,218)
Property, plant and equipment, net	387,439	390,027
Other Assets		
Goodwill	842,431	831,489
Other intangible assets, net of amortization	320,082	312,867
Other	111,798	112,676
Total other assets	1,274,311	1,257,032
Total Assets	\$ 3,517,093	\$ 3,515,029
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities		
Accounts payable	\$ 335,453	\$ 358,790
Current portion of long-term debt	2,343	2,549
Accrued compensation and benefits	112,789	156,981
Accrued loss reserves	55,023	57,645
Other accrued liabilities	177,684	159,324
Total current liabilities	683,292	735,289
Long-Term Liabilities		
Long-term debt, less current maturities	1,103,078	1,106,304
Other long-term liabilities	232,904	224,026
Deferred income taxes	62,082	62,042
Total long-term liabilities	1,398,064	1,392,372

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Stockholders Equity		
Preferred stock, par value \$0.01; authorized 50,000 shares; none issued		
Common stock, par value \$0.01; authorized 300,000 shares; issued 134,970 and outstanding 131,131 as of August 2011; issued 134,406 and outstanding 130,580 as of May 2011		
	1,311	1,306
Paid-in capital	739,181	735,245
Treasury stock, at cost	(62,765)	(62,495)
Accumulated other comprehensive (loss) income	(5,810)	6,073
Retained earnings	632,422	583,035
Total RPM International Inc. stockholders equity	1,304,339	1,263,164
Noncontrolling interest	131,398	124,204
Total Equity	1,435,737	1,387,368
Total Liabilities and Stockholders Equity	\$ 3,517,093	\$ 3,515,029

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of ContentsRPM INTERNATIONAL INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended August 31,	
	2011	2010
Net Sales	\$ 985,918	\$ 894,810
Cost of Sales	576,292	519,384
Gross Profit	409,626	375,426
Selling, General and Administrative Expenses	273,140	253,421
Interest Expense	17,806	16,042
Investment Expense (Income), Net	(24)	(1,977)
Income Before Income Taxes	118,704	107,940
Provision for Income Taxes	35,364	32,946
Net Income	83,340	74,994
Less: Net Income Attributable to Noncontrolling Interests	6,529	5,998
Net Income Attributable to RPM International Inc. Stockholders	\$ 76,811	\$ 68,996
Average Number of Shares of Common Stock Outstanding:		
Basic	128,094	127,787
Diluted	128,628	128,254
Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders:		
Basic	\$ 0.59	\$ 0.53
Diluted	\$ 0.59	\$ 0.53
Cash Dividends Declared per Share of Common Stock	\$ 0.210	\$ 0.205

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of ContentsRPM INTERNATIONAL INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended August 31,	
	2011	2010
Cash Flows From Operating Activities:		
Net income	\$ 83,340	\$ 74,994
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,009	13,330
Amortization	5,110	4,874
Other-than-temporary impairments on marketable securities	407	57
Deferred income taxes	(1,374)	2,321
Stock-based compensation expense	3,125	2,396
Other	(490)	(281)
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
(Increase) decrease in receivables	(4,211)	10,016
(Increase) in inventory	(27,113)	(33,603)
(Increase) in prepaid expenses and other current and long-term assets	(7,531)	(12,102)
(Decrease) in accounts payable	(27,069)	(16,781)
(Decrease) in accrued compensation and benefits	(45,873)	(37,281)
(Decrease) in accrued loss reserves	(2,622)	(1,431)
Increase in other accrued liabilities	15,194	33,696
Other	3,574	918
Cash From Operating Activities	7,476	41,123
Cash Flows From Investing Activities:		
Capital expenditures	(4,913)	(3,255)
Acquisition of businesses, net of cash acquired	(35,914)	(9,962)
Purchase of marketable securities	(11,315)	(19,296)
Proceeds from sales of marketable securities	13,821	20,676
Other	915	(3,634)
Cash (Used For) Investing Activities	(37,406)	(15,471)
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	7,391	9,773
Reductions of long-term and short-term debt	(10,824)	(2,635)
Cash dividends	(27,424)	(26,629)
Repurchase of stock	(204)	(9,101)
Exercise of stock options	1,205	281
Cash (Used For) Financing Activities	(29,856)	(28,311)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,870)	6,616
Net Change in Cash and Cash Equivalents	(61,656)	3,957
Cash and Cash Equivalents at Beginning of Period	435,011	215,355

Cash and Cash Equivalents at End of Period	\$ 373,355	\$ 219,312
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The accompanying notes to consolidated financial statements are an integral part of these statements.

