

PACKAGING CORP OF AMERICA

Form 10-Q

August 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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 1-15399

(Exact Name of Registrant as Specified in its Charter)

Delaware

36-4277050

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identification No.)

1955 West Field Court, Lake Forest, Illinois

60045

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code
(847) 482-3000

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 August 3, 2015, the Registrant had outstanding 97,724,394 shares of common stock, par value \$0.01 per share.

Table of Contents

PART I

Item 1.	<u>Financial Statements</u>	<u>1</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
Item 4.	<u>Controls and Procedures</u>	<u>27</u>

PART II

Item 1.	<u>Legal Proceedings</u>	<u>28</u>
Item 1A.	<u>Risk Factors</u>	<u>28</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>28</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>28</u>
Item 5.	<u>Other Information</u>	<u>28</u>
Item 6.	<u>Exhibits</u>	<u>29</u>

All reports we file with the Securities and Exchange Commission (SEC) are available free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC website at www.sec.gov. We also provide copies of our SEC filings at no charge upon request and make electronic copies of our reports available through our website at www.packagingcorp.com as soon as reasonably practicable after filing such material with the SEC.

PART I
FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Packaging Corporation of America
Consolidated Statements of Income and Comprehensive Income
(unaudited, dollars in millions, except per-share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Statements of Income:				
Net sales	\$1,454.3	\$1,468.4	\$2,880.0	\$2,899.7
Cost of sales	(1,130.6)	(1,157.6)	(2,279.3)	(2,287.5)
Gross profit	323.7	310.8	600.7	612.2
Selling, general, and administrative expenses	(121.9)	(122.9)	(239.2)	(239.3)
Other expense, net	(4.2)	(7.7)	(6.8)	(31.7)
Income from operations	197.6	180.2	354.7	341.2
Interest expense, net	(22.2)	(21.4)	(41.4)	(42.2)
Income before taxes	175.4	158.8	313.3	299.0
Income tax provision	(61.4)	(59.2)	(108.5)	(109.4)
Net income	\$114.0	\$99.6	\$204.8	\$189.6
Net income per common share:				
Basic	\$1.16	\$1.01	\$2.09	\$1.93
Diluted	\$1.16	\$1.01	\$2.08	\$1.93
Dividends declared per common share	\$0.55	\$0.40	\$1.10	\$0.80
Statements of Comprehensive Income:				
Net income	\$114.0	\$99.6	\$204.8	\$189.6
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	4.2	(0.1)	2.8	(0.1)
Reclassification adjustments to cash flow hedges included in net income, net of tax of \$0.5 million, \$0.5 million, \$1.1 million, and \$1.1 million	0.9	0.9	1.7	1.7
Amortization of pension and postretirement plans actuarial loss and prior service cost, net of tax of \$1.4 million, \$0.7 million, \$2.8 million, and \$1.5 million	2.2	1.1	4.4	2.1
Other comprehensive income	7.3	1.9	8.9	3.7
Comprehensive income	\$121.3	\$101.5	\$213.7	\$193.3

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Packaging Corporation of America

Consolidated Balance Sheets

(unaudited, dollars and shares in millions, except per-share data)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 163.7	\$ 124.9
Accounts receivable, net of allowance for doubtful accounts and customer deductions of \$12.4 million and \$11.3 million as of June 30, 2015, and December 31, 2014, respectively	708.0	646.1
Inventories	667.5	664.9
Prepaid expenses and other current assets	58.5	61.9
Federal and state income taxes receivable	—	5.1
Deferred income taxes	59.7	75.7
Total current assets	1,657.4	1,578.6
Property, plant, and equipment, net	2,852.7	