

COMPASS MINERALS INTERNATIONAL INC
Form 10-Q
October 28, 2014

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 September 30, 2014

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 001-31921

Compass Minerals International, Inc.
(Exact name of registrant as specified in its charter)

Delaware 36-3972986
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

9900 West 109th Street
Suite 100
Overland Park, KS 66210
(913) 344-9200
(Address of principal executive offices, zip code and telephone number, including area code)

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.

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:

The number of shares outstanding of the registrant’s common stock, \$0.01 par value per share, at October 24, 2014 was 33,588,443 shares.

COMPASS MINERALS INTERNATIONAL, INC.
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013</u>	2
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013 (unaudited)</u>	3
<u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013 (unaudited)</u>	4
<u>Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2014 (unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
Item 4. <u>Controls and Procedures</u>	29
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	30
Item 1A. <u>Risk Factors</u>	30
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 3. <u>Defaults Upon Senior Securities</u>	30
Item 4. <u>Mine Safety Disclosures</u>	30
Item 5. <u>Other Information</u>	30
Item 6. <u>Exhibits</u>	30
<u>SIGNATURES</u>	31
<u>EXHIBIT INDEX</u>	32

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COMPASS MINERALS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	(Unaudited)	
	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 220.0	\$ 159.6
Receivables, less allowance for doubtful accounts of \$1.3 in 2014 and \$1.6 in 2013	145.3	211.9
Inventories	217.8	180.7
Deferred income taxes, net	8.2	7.9
Other	19.6	17.3
Total current assets	610.9	577.4
Property, plant and equipment, net	691.3	677.3
Intangible assets, net	110.0	72.5
Goodwill	71.0	20.5
Other	63.3	57.1
Total assets	\$ 1,546.5	\$ 1,404.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 3.9	\$ 3.9
Accounts payable	75.9	109.4
Accrued expenses	54.4	54.3
Deferred revenue	-	56.5
Accrued salaries and wages	20.0	21.6
Income taxes payable	12.3	11.0
Accrued interest	3.7	0.9
Total current liabilities	170.2	257.6
Long-term debt, net of current portion	623.5	474.7
Deferred income taxes, net	100.6	78.4
Other noncurrent liabilities	36.2	39.9
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock: \$0.01 par value, 200,000,000 authorized shares; 35,367,264 issued shares	0.4	0.4
Additional paid-in capital	79.8	70.4
Treasury stock, at cost — 1,779,073 shares at September 30, 2014 and 1,890,367 shares at December 31, 2013	(3.4)	(3.6)
Retained earnings	529.2	452.5
Accumulated other comprehensive income	10.0	34.5
Total stockholders' equity	616.0	554.2
Total liabilities and stockholders' equity	\$ 1,546.5	\$ 1,404.8

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

Table of ContentsCOMPASS MINERALS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in millions, except share and per share data)

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Sales	\$240.5	\$184.7	\$849.1	\$742.2
Shipping and handling cost	57.5	44.4	233.0	200.0
Product cost (Note 3)	33.2	94.5	336.5	363.2
Gross profit	149.8	45.8	279.6	179.0
Selling, general and administrative expenses	26.8	22.7	76.2	73.7
Operating earnings	123.0	23.1	203.4	105.3
Other (income) expense:				
Interest expense	5.5	4.4	14.4	13.2
Other, net	(3.1)	(0.1)	0.9	(3.2)
Earnings before income taxes	120.6	18.8	188.1	95.3
Income tax expense	32.7	3.4	50.7	22.9
Net earnings	\$87.9	\$15.4	\$137.4	\$72.4
Basic net earnings per common share	\$2.60			