BUCKEYE TECHNOLOGIES INC
Form 8-K
October 20, 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): October 19, 2004

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

DELAWARE	33-60032	62-151897
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identific

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

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

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On October 19, 2004, Buckeye Technologies Inc. (the "Company") issued a press release regarding its results of operations for the quarter ended September 30, 2004, including a statement of operations for that quarter, a consolidated balance sheet as of September 30, 2004, a consolidated statement of cash flow for that quarter, and supplemental financial data. In addition, on October 20, 2004, the Company will hold a teleconference at 8:30 a.m. Central to discuss the quarter. 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) 855-5428 within the United States or (719) 457-2665 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
October 19, 2004

MEMPHIS, Tenn.--(BUSINESS WIRE)--Oct. 19, 2004--Buckeye Technologies Inc. (NYSE:BKI) today announced that it earned $4.4 million after tax (12 cents per share) in the quarter ended September 30, 2004. The Company's results include $0.8 million after tax (2 cents per share) in restructuring costs, primarily related to the previously announced closure of its facility in Cork, Ireland.

During the same quarter of the prior year, the Company's restated net income was $3.1 million after tax (8 cents per share) which included $5.7 million after tax benefit (15 cents per share) from an accounting change related to its method of accounting for planned maintenance shutdowns. July-September 2003 also included $2.7 million after tax charge (minus 7 cents per share) related to the early extinguishment of debt and restructuring charges.

Excluding the impact of accounting changes and expenses related to the early extinguishment of debt and restructuring, the Company earned $5.2 million after tax in July-September 2004 compared to $0.1 million after tax in the same period a year ago.

Net sales for the July-September quarter were $167.3 million, 7.4% above the $155.8 million achieved in the prior year.

Buckeye Chairman, David B. Ferraro, commented, "We made progress during July-September in improving the financial performance of our business. Revenue and profitability increased in both our specialty fibers and nonwoven materials segments. We reduced debt by $20 million. The changes we have made to improve our operations are having a positive impact."

Mr. Ferraro further stated, "We ceased producing airlaid nonwoven materials at Cork, Ireland in late July. We have successfully transitioned the majority of the product previously produced at Cork to our larger dual-line plants in

Europe and North America. This has increased the capacity utilization rate at our other airlaid nonwovens facilities."

Buckeye, a leading manufacturer and marketer of specialty fibers 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.

BUCKEYE TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in $000)
(unaudited)

	Three Months Ended		
	September 30, 2004	June 30, 2004	September 30, 2003 (a)
Net sales	$ 167,323	$ 168,042	$ 155,831
Cost of goods sold	137,694	142,053	134,240
Gross margin	29,629	25,989	21,591
Selling, research and Administrative expenses	9,726	10,438	9,592
Impairment of long-lived Assets	-	1,075	-
Restructuring costs	1,196	2,073	1,038
Operating income	18,707	12,403	10,961
Net interest expense and Amortization of debt costs	11,278	11,305	11,177
Loss on early extinguishment of debt	-	-	3,300
Foreign exchange, amortization of intangibles, other	636	268	429
Income (loss) before income taxes	6,793	830	(3,945)
Income tax expense (benefit)	2,378	(580)	(1,281)
Income (loss) before cumulative effect of change in accounting	4,415	1,410	(2,664)

Cumulative effect of change in accounting (net of tax of $3,359)	-	-	5,720
Net income	$ 4,415	$ 1,410	$ 3,056
Earnings (loss) per share before cumulative effect of change in accounting			
Basic earnings (loss) per share	$ 0.12	$ 0.04	$ (0.07)
Diluted earnings (loss) per share	$ 0.12	$ 0.04	$ (0.07)
Cumulative effect of change in accounting			
Basic earnings (loss) per share	$ -	$ -	$ 0.15
Diluted earnings (loss) per share	$ -	$ -	$ 0.15
Earnings per share			
Basic earnings (loss) per share	$ 0.12	$ 0.04	$ 0.08
Diluted earnings (loss) per share	$ 0.12	$ 0.04	$ 0.08
Weighted average shares for basic earnings per share	37,311,757	37,233,800	36,974,915
Adjusted weighted average shares for diluted earnings per share	37,457,905	37,369,210	36,994,572

(a) Amounts have been restated from those previously reported based on the cumulative effect of change in accounting.

BUCKEYE TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
(in $000)

	September 30 2004	June 30 2004
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 23,836	$ 27,235
Accounts receivable, net	111,306	112,367
Inventories	114,552	107,439
Deferred income taxes and other	14,521	10,207
Total current assets	264,215	257,248
Property, plant and equipment, net	530,201	537,632
Goodwill, net	135,450	130,172
Intellectual property and other, net	40,265	41,023
Total assets	$ 970,131	$ 966,075

Liabilities and stockholders' equity Current liabilities:		
Trade accounts payable	$ 27,253	$ 27,130
Accrued expenses	51,970	45,337
Current portion of capital lease obligations	652	632
Current portion of long-term debt	1,500	16,972
Total current liabilities	81,375	90,071
Long-term debt	582,434	587,076
Deferred income taxes	39,924	37,956
Capital lease obligations	1,818	2,068
Other liabilities	19,342	19,559
Stockholders' equity	245,238	229,345
Total liabilities and stockholders' equity	$ 970,131	$ 966,075

BUCKEYE TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
($000)
(unaudited)

	Three Months Ended	
	September 30, 2004	September 30, 2003 (a)
OPERATING ACTIVITIES		
Net income	$ 4,415	$ 3,056
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Cumulative effect of change in accounting	-	(5,720)
Depreciation	11,393	11,186
Amortization	922	1,441
Loss on early extinguishment of debt	-	3,300
Deferred income taxes	1,359	722
Other	454	637
Change in operating assets and liabilities		
Accounts receivable	2,059	16,169
Inventories	(6,093)	(1,615)
Other assets	837	(3,603)
Accounts payable and other current liabilities	5,651	(18)
Net cash provided by operating activities	20,997	25,555
INVESTING ACTIVITIES		
Purchases of property, plant & equipment	(4,970)	(9,725)
Other	84	(303)
Net cash used in investing activities	(4,886)	(10,028)
FINANCING ACTIVITIES		
Proceeds from exercise of options	248	-

Net payments under revolving line of credit	-	(55,250)
Issuance of long-term debt	-	200,000
Payments for debt issuance costs	(4)	(6,029)
Payments related to early extinguishment of debt	-	(2,115)
Payments on long term debt and other	(20,230)	(175,001)
Net cash used in financing activities	(19,986)	(38,395)
Effect of foreign currency rate fluctuations on cash	476	(827)
Decrease in cash and cash equivalents	(3,399)	(23,695)
Cash and cash equivalents at beginning of period	27,235	49,977
Cash and cash equivalents at end of period	$ 23,836	$ 26,282

(a) Amounts have been restated from those previously reported based on the cumulative effect of change in accounting.

BUCKEYE TECHNOLOGIES INC.
SUPPLEMENTAL FINANCIAL DATA
(in $000)
(unaudited)

	Three Months Ended		
SEGMENT RESULTS	September 30, 2004	June 30, 2004	September 30, 2003 (d)
Specialty Fibers			
Net sales	$ 118,046	$ 118,165	$ 107,318
Operating income (a)	16,898	12,714	9,921
Depreciation and amortization (b)	6,961	7,024	6,704
Capital expenditures	3,914	4,457	9,089
Nonwoven Materials			
Net sales	$ 55,922	$ 55,987	$ 53,210
Operating income (a)	3,568	2,595	2,487
Depreciation and amortization (b)	4,223	3,633	4,268
Capital expenditures	976	884	599
Corporate			
Net sales	$ (6,645)	$ (6,110)	$ (4,697)
Operating income (a)	(1,759)	(2,906)	(1,447)
Depreciation and amortization (b)	866	828	825
Capital expenditures	80	73	37
Total			

Net sales	$ 167,323	$ 168,042	$ 155,831
Operating income (a)	18,707	12,403	10,961
Depreciation and amortization (b)	12,050	11,485	11,797
Capital expenditures	4,970	5,414	9,725

(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.

	Three Months Ended		
ADJUSTED EBITDA	September 30, 2004	June 30, 2004	September 30, 2003 (d)
Income (loss) before cumulative effect of change in accounting	$ 4,415	$ 1,410	$ (2,664)
Income tax benefit	2,378	(580)	(1,281)
Net interest expense	10,895	10,900	10,500
Amortization of debt costs	383	405	677
Early extinguishment of debt	-	-	3,300
Depreciation, depletion and amortization	12,050	11,485	11,797
EBITDA	30,121	23,620	22,329
Interest income	164	216	250
Asset impairments	-	1,075	-
Loss on disposal of assets	130	304	144
Restructuring charges (c)	-	492	1,038
Restatement due to change in accounting	-	-	370
Adjusted EBITDA	$ 30,415	$ 25,707	$ 24,131

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 September 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.

(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 that quarter. Restructuring charges of $1,196 incurred after June 30, 2004 are not added back to Adjusted EBITDA.

(d) Amounts have been restated from those previously reported based on the cumulative effect of change in accounting.