MINERALS TECHNOLOGIES INC
Form 10-Q
July 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 29, 2008

or

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

Commission File Number 1-3295

--

MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

DELAWARE	25-1190717
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

405 Lexington Avenue, New York, New York 10174-0002

(Address of principal executive offices, including zip code)

(212) 878-1800

(Registrant s 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 X **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 [X]	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 X**

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 21, 2008
Common Stock, $0.10 par value	18,907,040

MINERALS TECHNOLOGIES INC.

INDEX TO FORM 10-Q

PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
(in thousands, except per share data)	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net sales	$ 299,794	$ 271,432	$ 577,314	$ 536,915
Cost of goods sold	237,512	211,318	454,297	420,281
Production margin	62,282	60,114	123,017	116,634
Marketing and administrative expenses	26,590	26,570	52,630	53,469
Research and development expenses	6,014	6,600	12,134	13,528
Restructuring and other costs	899	--	2,331	--
Income from operations	28,779	26,944	55,922	49,637
Non-operating income (deductions), net	(724)	(1,749)	(2,238)	(4,428)
Income before provision for taxes on income, minority interests and discontinued operations	28,055	25,195	53,684	45,209
Provision for taxes on income	8,653	8,245	16,598	14,808
Minority interests	713	823	1,566	1,671
Income from continuing operations	18,689	16,127	35,520	28,730
Income (loss) from discontinued operations, net of tax	4,646	(1,753)	5,022	(3,535)
Net income	$ 23,335	$ 14,374	$ 40,542	$ 25,195
Earnings per share:				
Basic:				
Income from continuing operations	$ 0.99	$ 0.84	$ 1.87	$ 1.50
Income (loss) from discontinued operations	0.24	(0.09)	0.26	(0.18)
Basic earnings per share	$ 1.23	$ 0.75	$ 2.13	$ 1.32
Diluted:				
Income from continuing operations	$ 0.98	$ 0.83	$ 1.86	$ 1.48
Income (loss) from discontinued operations	0.24	(0.09)	0.26	(0.18)
Diluted earnings per share	$ 1.22	$ 0.74	$ 2.12	$ 1.30
Cash dividends declared per common share	$ 0.05	$ 0.05	$ 0.10	$ 0.10

Shares used in computation of earnings per share:				
Basic	18,937	19,202	19,006	19,133
Diluted	19,065	19,457	19,114	19,358

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(thousands of dollars)	June 29, 2008*	December 31, 2007**
Current assets:		
Cash and cash equivalents	$ 138,979	$ 128,985
Short-term investments, at cost which approximates market	13,210	9,697
Accounts receivable, net	211,906	180,868
Inventories	128,654	103,373
Prepaid expenses and other current assets	27,289	22,773
Assets held for disposal	22,099	27,614
Total current assets	542,137	473,310
Property, plant and equipment, less accumulated depreciation and depletion - June 29, 2008 - 907,639; December 31, 2007 - $862,457	479,182	489,386
Goodwill	71,816	71,964
Prepaid pension costs	54,625	53,667
Other assets and deferred charges	35,481	40,566
Total assets	$ 1,183,241	$ 1,128,893

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt	$ 19,368	$ 9,518
Current maturities of long-term debt	397	7,210
Accounts payable	78,016	66,084
Restructuring liabilities	4,695	14,479
Other current liabilities	59,091	65,057
Liabilities of assets held for disposal	3,312	4,801
Total current liabilities	164,879	167,149
Long-term debt	101,221	111,006
Other non-current liabilities	113,872	99,565
Total liabilities	379,972	377,720
Shareholders' equity:		
Common stock	2,881	2,854
Additional paid-in capital	309,733	294,367
Retained earnings	840,733	802,096
Accumulated other comprehensive gain	67,445	45,365
Less common stock held in treasury	(417,523)	(393,509)
Total shareholders' equity	803,269	751,173
Total liabilities and shareholders' equity	$ 1,183,241	$ 1,128,893

* Unaudited
** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
(thousands of dollars)	June 29, 2008	July 1, 2007
Operating Activities:		
Net income	$ 40,542	$ 25,195
Income (loss) from discontinued operations	5,023	(3,535)
Income from continuing operations	35,519	28,730
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	40,837	43,192
Payments relating to restructuring activities	(11,800)	--
Tax benefits related to stock incentive programs	1,643	1,830
Other non-cash items	5,594	4,278
Net changes in operating assets and liabilities	(35,676)	(1,894)
Net cash provided by continuing operations	36,117	76,136
Net cash provided by (used in) discontinued operations	2,003	(3,841)
Net cash provided by operating activities	38,120	72,295
Investing Activities:		
Purchases of property, plant and equipment	(19,906)	(23,942)
Proceeds from sale of short-term investments	520	8,527
Purchases of short-term investments	(4,076)	(9,840)
Net cash used in investing activities - continuing operations	(23,462)	(25,255)
Net cash provided by (used in) investing activities - discontinued operations	7,440	(2,832)
Net cash used in investing activities	(16,022)	(28,087)
Financing Activities:		
Proceeds from issuance of long-term debt	--	7,741
Repayment of long-term debt	(16,845)	(2,509)
Net proceeds (repayment) of short-term debt	9,988	(35,450)
Purchase of common shares for treasury	(23,717)	(7,291)
Proceeds from issuance of stock under option plan	10,921	11,922
Excess tax benefits related to stock incentive programs	610	560
Cash dividends paid	(1,904)	(1,914)
Net cash used in financing activities	(20,947)	(26,941)
Effect of exchange rate changes on cash and cash equivalents	8,843	868
Net increase in cash and cash equivalents	9,994	18,135
Cash and cash equivalents at beginning of period	128,985	67,929
Cash and cash equivalents at end of period	$ 138,979	$ 86,064

Supplemental disclosure of cash flow information:

Interest paid	$ 2,755	$ 4,992
Income taxes paid	$ 11,378	$ 9,283
Non-cash financing activities:		
Treasury stock purchases settled after period-end	$ 297	$ --

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and six-month periods ended June 29, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The Company employs accounting policies that are in accordance with U.S. generally accepted accounting principles and require management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates include those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income tax, valuation allowances, and litigation and environmental liabilities. Actual results could differ from those estimates.

Note 3. Earnings Per Share (EPS)

Basic earnings per share are based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are based upon the weighted average number of common shares outstanding during the period assuming the issuance of common shares for all dilutive potential common shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share:

Basic EPS (in millions, except per share data)	Three Months Ended June 29, 2008	Three Months Ended July 1, 2007	Six Months Ended June 29, 2008	Six Months Ended July 1, 2007
Income from continuing operations	$ 18.7	$ 16.1	$ 35.5	$ 28.7
Income (loss) from discontinued operations	4.6	(1.7)	5.0	(3.5)
Net income	$ 23.3	$ 14.4	$ 40.5	$ 25.2
Weighted average shares outstanding	18,937	19,202	19,006	19,133

Basic earnings per share from continuing operations	$ 0.99	$ 0.84	$ 1.87	$ 1.50
Basic earnings (loss) per share from discontinued operations	0.24	(0.09)	0.26	(0.18)
Basic earnings per share	$ 1.23	$ 0.75	$ 2.13	$ 1.32

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Diluted EPS (in millions, except per share data)	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Income from continuing operations	$ 18.7	$ 16.1	$ 35.5	$ 28.7
Income (loss) from discontinued operations	4.6	(1.7)	5.0	(3.5)
Net income	$ 23.3	$ 14.4	$ 40.5	$ 25.2
Weighted average shares outstanding	18,937	19,202	19,006	19,133
Dilutive effect of stock options and stock units	128	255	108	225
Weighted average shares outstanding, adjusted	19,065	19,457	19,114	19,358
Diluted earnings per share from continuing operations	$ 0.98	$ 0.83	$ 1.86	$ 1.48
Diluted earnings (loss) per share from discontinued operations	0.24	(0.09)	0.26	(0.18)
Diluted earnings per share	$ 1.22	$ 0.74	$ 2.12	$ 1.30

The weighted average diluted common shares outstanding for the six months ended June 29, 2008 and July 1, 2007 excludes the dilutive effect of 240,300 options and 203,567 options, respectively, as such options had an exercise price in excess of the average market value of the Company s common stock during such period.

Note 4. Discontinued Operations

During the third quarter of 2007, the Company conducted an in-depth strategic review of its operations. This review resulted in a realignment of its operations, which included the exiting of certain businesses.

Accordingly, during the fourth quarter of 2007, the Company classified its Synsil operations and its plants at Mount Vernon, Indiana and Wellsville, Ohio as discontinued operations. These operations were part of the Company s Specialty Minerals segment. The assets of these operations are held for disposal. During the second quarter of 2008, the Company sold two of its idle Synsil operations in Chester, South Carolina and Woodville, Ohio for approximately $7.5 million. This resulted in a pre-tax gain of approximately $6.5 million ($4.3 million after-tax). The Company expects the sale of the remaining assets to be completed during 2008. The Company does not anticipate the ongoing operating cash flows of these operations to be significant.

The following table details selected financial information for the discontinued operations in the consolidated statements of operations. The amounts exclude general corporate overhead and interest expense which were previously allocated to the entities comprising discontinued operations.

	Three Months Ended	Six Months Ended

Thousands of Dollars	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net sales	$ 6.4	$ 8.0	$ 12.7	$ 16.1
Production margin	0.7	(1.5)	1.5	(3.1)
Expenses	0.2	1.2	0.5	2.4
Restructuring and other costs (reversals)	(0.2)	--	(0.3)	--
Gain on sale of assets	6.5	--	6.5	--
Income (loss) from operations	$ 7.2	$ (2.7)	$ 7.8	$ (5.5)
Other income	$ --	$ --	$ --	$ 0.1
Provision (benefit) for taxes on income	$ 2.6	$ (0.9)	$ 2.8	$ (1.9)
Income (loss) from discontinued operations, net of tax	$ 4.6	$ (1.8)	$ 5.0	$ (3.5)

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The major classes of assets and liabilities held for disposal in the consolidated balance sheets are as follows:

Millions of Dollars	June 29, 2008	Dec. 31, 2007
Assets:		
Accounts receivable	$ 2.6	$ 4.3
Inventories	7.8	10.2
Property, plant and equipment, net	10.1	11.5
Goodwill	1.6	1.6
Other assets	--	--
Assets held for disposal	$ 22.1	$ 27.6
Liabilities:		
Accounts payable	$ 2.2	$ 2.9
Accrued liabilities	1.1	1.9
Liabilities of assets held for disposal	$ 3.3	$ 4.8

Note 5. Income Taxes

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes." FIN 48 specifies the way companies are to account for uncertainty in income tax reporting and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. As a result of the adoption of FIN 48, the Company recognized a $1.9 million decrease in the liability for unrecognized income tax benefits, resulting in an increase to the January 1, 2007 balance of retained earnings.

As of June 29, 2008, the Company had approximately $10.9 million of total unrecognized income tax benefits. Included in this amount were a total of $6.5 million of unrecognized income tax benefits that if recognized would affect the Company s effective tax rate. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, we do not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company s accounting policy prior to the adoption of FIN 48 and upon the adoption of FIN 48 is to recognize interest and penalties accrued, relating to unrecognized income tax benefits as part of its provision for income taxes. The Company accrued approximately $0.2 million and $0.5 million during the second quarter and first half of 2008, respectively, and has an accrued balance of $3.4 million of interest and penalties accrued as of June 29, 2008.

The Company operates in multiple taxing jurisdictions, both within and outside the U.S. In certain situations, a taxing authority may challenge positions that the Company has adopted in its income tax filings. The Company, with a few exceptions (none of which are material), is no longer subject to U.S. federal, state, local, and European income tax examinations by tax authorities for years prior to 2003.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 6. Inventories

The following is a summary of inventories by major category:

(millions of dollars)	June 29, 2008	December 31, 2007
Raw materials	$ 60.0	$ 42.0
Work-in-process	9.5	8.1
Finished goods	37.0	31.2
Packaging and supplies	22.2	22.1
Total inventories	$ 128.7	$ 103.4

Note 7. Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment, at least annually, in accordance with the provisions of SFAS No. 142.

The carrying amount of goodwill was $71.8 million, and $72.0 million as of June 29, 2008 and December 31, 2007, respectively. The net change in goodwill since January 1, 2008 was primarily attributable to the effect of foreign exchange.

Acquired intangible assets subject to amortization as of June 29, 2008 and December 31, 2007 were as follows:

	June 29, 2008		December 31, 2007	
(millions of dollars)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$ 7.8	$ 3.1	$ 7.9	$ 2.7
Customer lists	10.8	1.7	11.1	1.4
Other	0.4	0.1	0.4	0.1
	$ 19.0	$ 4.9	$ 19.4	$ 4.2