

Rockwood Holdings, Inc.  
Form 10-Q  
May 06, 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 March 31, 2008**

**Or**

- o** **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 001-32609**

**Rockwood Holdings, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**52-2277366**  
(I.R.S. Employer  
Identification No.)

**100 Overlook Center, Princeton, New Jersey 08540**

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(Address of principal executive offices) (Zip Code)

**(609) 514-0300**

(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  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 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

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 1, 2008, there were 73,913,262 outstanding shares of common stock, par value \$0.01 per share, of the Registrant.

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited).

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts;

shares in thousands)

(Unaudited)

	Three months ended March 31,	
	2008	2007
Net sales	\$ 854.0	\$ 747.7
Cost of products sold	579.1	503.6
Gross profit	274.9	244.1
Selling, general and administrative expenses	170.1	147.2
Restructuring charges, net	0.8	4.0
Loss (gain) on sale of assets	0.1	(4.8)
Operating income	103.9	97.7
Other income (expenses):		
Interest expense	(73.7)	(54.7)
Interest income	2.2	4.8
Refinancing expenses		(0.9)
Foreign exchange gain, net	15.1	0.1
Other, net	0.4	(0.1)
Other income (expenses), net	(56.0)	(50.8)
Income from continuing operations before taxes and minority interest	47.9	46.9
Income tax provision	19.6	20.8
Income from continuing operations before minority interest	28.3	26.1
Minority interest in continuing operations	(0.6)	(1.1)
Net income from continuing operations	27.7	25.0
Income from discontinued operations, net of tax		4.7
Gain on sale of discontinued operations, net of tax		115.7
Minority interest in discontinued operations		(0.1)
Net income	\$ 27.7	\$ 145.3
Basic earnings per share:		
Earnings from continuing operations	\$ 0.37	\$ 0.34
Earnings from discontinued operations, net of tax		1.63
Basic earnings per share	\$ 0.37	\$ 1.97
Diluted earnings per share:		
Earnings from continuing operations	\$ 0.36	\$ 0.33
Earnings from discontinued operations, net of tax		1.60
Diluted earnings per share	\$ 0.36	\$ 1.93

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Weighted average number of basic shares outstanding	73,898	73,786
Weighted average number of diluted shares outstanding	76,609	75,392

See accompanying notes to condensed consolidated financial statements.

**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions, except per share amounts;

shares in thousands)

(Unaudited)

	March 31, 2008	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 298.1	\$ 350.1
Accounts receivable, net	554.3	483.7
Inventories	573.8	535.4
Deferred income taxes	21.1	22.6
Prepaid expenses and other current assets	61.7	70.7
Total current assets	1,509.0	1,462.5
Property, plant and equipment, net	1,588.1	1,512.8
Goodwill	1,827.4	1,767.0
Other intangible assets, net	714.7	676.8
Deferred debt issuance costs, net of accumulated amortization of \$35.8 and \$31.2, respectively	41.6	41.1
Deferred income taxes	15.3	15.5
Other assets	42.0	39.2
Total assets	\$ 5,738.1	\$ 5,514.9
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 248.8	\$ 293.2
Income taxes payable	13.4	12.7
Accrued compensation	77.0	83.1
Restructuring liability	9.9	14.0
Accrued expenses and other current liabilities	182.9	165.8
Deferred income taxes	8.6	7.2
Long-term debt, current portion	111.3	107.4
Total current liabilities	651.9	683.4
Long-term debt	2,532.9	2,474.0
Pension and related liabilities	354.5	327.5
Deferred income taxes	121.5	112.5
Other liabilities	217.2	168.8
Total liabilities	3,878.0	3,766.2
Minority interest	173.7	175.3
Performance restricted stock units	2.7	1.8
Stockholders' equity:		
Common stock (\$0.01 par value, 400,000 shares authorized, 73,998 shares issued and 73,904 shares outstanding at March 31, 2008; 400,000 shares authorized, 73,989 shares issued and 73,895 shares outstanding at December 31, 2007)	0.7	0.7
Paid-in capital	1,157.3	1,156.2
Accumulated other comprehensive income	454.3	371.0
Retained earnings	72.8	45.1
Treasury stock, at cost	(1.4)	(1.4)

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Total stockholders' equity		1,683.7		1,571.6
Total liabilities and stockholders' equity	\$	5,738.1	\$	5,514.9

See accompanying notes to condensed consolidated financial statements.

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Three months ended March 31,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 27.7	\$ 145.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax		(4.7)
Gain on sale of discontinued operations, net of tax		(115.7)
Minority interest in discontinued operations		0.1
Depreciation and amortization	61.8	49.3
Deferred financing costs amortization	2.3	2.4
Foreign exchange gain	(15.1)	(0.1)
Fair value adjustment of derivatives	30.8	2.8
Bad debt provision	0.3	0.4
Stock-based compensation	1.8	
Deferred income taxes	7.3	9.8
Gain on sale of assets	(0.4)	(4.8)
Minority interest in continuing operations	0.6	1.1
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	(47.3)	(52.2)
Inventories, including inventory write-up reversal	(12.7)	(3.0)
Prepaid expenses and other assets	3.3	(1.7)
Accounts payable	(39.0)	(25.4)
Income taxes payable	1.3	5.8
Accrued expenses and other liabilities	4.5	55.0
Net cash provided by operating activities of continuing operations	27.2	64.4
Net cash provided by operating activities of discontinued operations		6.3
<b>Net cash provided by operating activities</b>	<b>27.2</b>	<b>70.7</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions, including transaction fees paid, net of cash acquired	(10.9)	(2.1)
Post closing purchase price consideration	29.1	
Capital expenditures, excluding capital leases	(56.1)	(45.6)
Proceeds from formation of Viance joint venture, net		76.6
Proceeds on sale of assets	2.4	9.9
Net cash (used in) provided by investing activities of continuing operations	(35.5)	38.8
Net cash (used in) provided by investing activities of discontinued operations, including sale proceeds of \$426.2 for the three months ended March 31, 2007	(4.6)	424.5
<b>Net cash (used in) provided by investing activities</b>	<b>(40.1)</b>	<b>463.3</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of common stock, net of fees	0.1	
Repayment of senior secured credit facilities	(33.5)	(28.0)
Repayment of senior secured credit facilities revolver		(37.0)
Payments on other long-term debt	(3.0)	(1.6)
Distribution to minority shareholder	(2.2)	
Net cash used in financing activities of continuing operations	(38.6)	(66.6)
Net cash used in financing activities of discontinued operations		
<b>Net cash used in financing activities</b>	<b>(38.6)</b>	<b>(66.6)</b>
Effect of exchange rate changes on cash	(0.5)	(2.1)



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Net (decrease) increase in cash and cash equivalents	(52.0)	465.3
Less increase in cash and cash equivalents from discontinued operations, net (a)		