

PACKAGING CORP OF AMERICA  
Form 10-Q  
May 09, 2018

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 March 31, 2018

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  
(State or Other Jurisdiction of  
Incorporation or Organization)

36-4277050  
(I.R.S. Employer  
Identification No.)

1955 West Field Court, Lake Forest, Illinois  
(Address of Principal Executive Offices)

60045  
(Zip Code)

Registrant's telephone number, including area code

(847) 482-3000

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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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 4, 2018 the Registrant had outstanding 94,346,682 shares of common stock, par value \$0.01 per share.

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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](http://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](http://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 March 31,	
	2018	2017
<b>Statements of Income:</b>		
Net sales	\$1,690.6	\$1,536.5
Cost of sales	(1,334.5)	(1,198.3)
Gross profit	356.1	338.2
Selling, general and administrative expenses	(134.9 )	(127.8 )
Other expense, net	(8.3 )	(7.0 )
Income from operations	212.9	203.4
Interest expense, net and other	(26.3 )	(24.3 )
Income before taxes	186.6	179.1
Provision for income taxes	(46.5 )	(61.7 )
Net income	\$140.1	\$117.4
<b>Net income per common share:</b>		
Basic	\$1.48	\$1.25
Diluted	\$1.48	\$1.24
Dividends declared per common share	\$0.63	\$0.63
<b>Statements of Comprehensive Income:</b>		
Net income	\$140.1	\$117.4
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	(0.1 )	(0.2 )
Reclassification adjustments to cash flow hedges included in		
net income, net of tax of \$0.4 million and \$0.5 million	1.0	0.9
Amortization of pension and postretirement plans actuarial loss and		
prior service cost, net of tax of \$1.0 million and \$1.2 million	3.0	2.2
Other comprehensive income	3.9	2.9
Comprehensive income	\$144.0	\$120.3

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)

	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 102.4	\$ 216.9
Accounts receivable, net of allowance for doubtful accounts and customer deductions		
of \$13.1 million and \$12.6 million as of March 31, 2018, and December 31, 2017,		
respectively	860.2	830.7
Inventories	766.4	762.5
Prepaid expenses and other current assets	55.0	35.5
Federal and state income taxes receivable	48.6	69.5
Total current assets	1,832.6	1,915.1
Property, plant, and equipment, net	2,961.4	2,924.9
Goodwill	883.2	883.2
Other intangible assets, net	399.6	410.0
Other long-term assets	63.0	64.3
Total assets	\$ 6,139.8	\$ 6,197.5
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ —	\$ 150.0
Capital lease obligations	1.4	1.3
Accounts payable	427.3	402.9
Dividends payable	60.6	60.5
Accrued liabilities	157.0	203.2
Accrued interest	27.3	14.8
Total current liabilities	673.6	832.7
Long-term liabilities:		
Long-term debt	2,481.2	2,480.4
Capital lease obligations	18.6	19.0
Deferred income taxes	256.7	239.5
Compensation and benefits	373.0	372.5
Other long-term liabilities	62.9	70.8
Total long-term liabilities	3,192.4	3,182.2
Commitments and contingent liabilities		
Stockholders' equity:		
Common stock, par value \$0.01 per share, 300.0 million shares authorized, 94.3 million		
shares issued as of March 31, 2018, and December 31, 2017	0.9	0.9
Additional paid in capital	476.3	471.2
Retained earnings	1,949.6	1,867.4

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Accumulated other comprehensive loss	(153.0 )	(156.9 )
Total stockholders' equity	2,273.8	2,182.6
Total liabilities and stockholders' equity	\$ 6,139.8	\$ 6,197.5

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Packaging Corporation of America

Consolidated Statements of Cash Flows

(unaudited, dollars in millions)

	Three Months Ended March 31,	
	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Net income	\$140.1	\$117.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization of intangibles	108.1	92.5
Amortization of deferred financing costs	2.3	2.0
Share-based compensation expense	5.1	4.6
Deferred income tax provision	15.9	12.2
Pension and post retirement benefits expense, net of contributions	3.9	1.1
Other, net	(1.0 )	(1.8 )
Changes in operating assets and liabilities:		
Increase in assets —		
Accounts receivable	(22.9 )	(44.1 )
Inventories	(8.4 )	(20.9 )
Prepaid expenses and other current assets	(17.0 )	(15.4 )
Increase (decrease) in liabilities —		
Accounts payable	(1.0 )	25.6
Accrued liabilities	(42.9 )	(48.5 )
Federal and state income taxes payable / receivable	20.3	39.4
Net cash provided by operating activities	202.5	164.1
<b>Cash Flows from Investing Activities:</b>		
Additions to property, plant, and equipment	(108.0)	(57.8 )
Additions to other long term assets	(1.9 )	(2.9 )
Proceeds from disposals	0.1	1.7
Other, net	2.6	1.2
Net cash used for investing activities	(107.2)	(57.8 )
<b>Cash Flows from Financing Activities:</b>		
Repayments of debt and capital lease obligations	(150.3)	(31.7 )
Common stock dividends paid	(59.4 )	(59.4 )
Shares withheld to cover employee restricted stock taxes	(0.1 )	