

SCHWEITZER MAUDUIT INTERNATIONAL INC

Form 424B5

November 12, 2009

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-162991

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$0.10 per share (together with associated preferred stock purchase rights)	2,070,000(1)	\$60.00	\$124,200,000	\$6,931(2)

(1) Includes 270,000 shares that the underwriters have the option to purchase to cover over-allotments, if any.

(2) The filing fee is being calculated and being paid pursuant to Rule 457(r) under the Securities Act of 1933, as amended, and relates to the Registration Statement on Form S-3 (Registration No. 333-162991) filed by the Registrant on November 9, 2009.

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**Filed pursuant to Rule 424(b)(5)
Registration No. 333-162991**

Prospectus Supplement
(To Prospectus dated November 9, 2009)

1,800,000 Shares

Schweitzer-Mauduit International, Inc.

Common Stock

Schweitzer-Mauduit International, Inc. is offering 1,800,000 shares of its common stock to be sold in the offering.

Our common stock is listed on the New York Stock Exchange under the symbol SWM. The last reported sale price of our common stock on the NYSE on November 11, 2009 was \$60.87 per share.

Investing in our common stock involves certain risks. Please refer to the Risk Factors section beginning on page 1 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	\$ 60.00	\$ 108,000,000
Underwriting discount	\$ 3.15	\$ 5,670,000
Proceeds, before expenses, to Schweitzer-Mauduit International, Inc.	\$ 56.85	\$ 102,330,000

To the extent that the underwriters sell more than 1,800,000 shares of common stock, the underwriters have the option to purchase up to an additional 270,000 shares from Schweitzer-Mauduit International, Inc. at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on November 17, 2009.

Sole Book-Running Manager

Goldman, Sachs & Co.

Co-Managers

SunTrust Robinson Humphrey

Davenport & Company LLC

Oppenheimer & Co.

Prospectus Supplement dated November 11, 2009.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should read this prospectus supplement along with the accompanying prospectus, as well as the information incorporated by reference herein and therein, carefully before you invest in our common stock. These documents contain important information that you should consider before making your investment decision. This prospectus supplement and the accompanying prospectus contain the terms of this offering of common stock. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. If the information in this prospectus supplement is inconsistent with any information contained in or incorporated by reference in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede the inconsistent information contained in or incorporated by reference in the accompanying prospectus.

It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference in this prospectus supplement and the accompanying prospectus before making your investment decision. See *Where You Can Find More Information* in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we provide to you that is required to be filed with the Securities and Exchange Commission (the "SEC"). Neither we nor the underwriters have authorized any other person to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. Neither we nor the underwriters are making an offer to sell our common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any such free writing prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, references in this prospectus supplement to the Company, we, us and our refer to Schweitzer-Mauduit International, Inc. and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents that are incorporated by reference herein and therein contain forward-looking statements. These forward-looking statements include those in the *Outlook* and *Critical Accounting Policies and Estimates* sections included in Exhibit 99.1 to our Current Report on Form 8-K filed on September 17, 2009, and our other statements regarding our expectations elsewhere in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section included in such Exhibit 99.1 and elsewhere. They also include statements containing *expect, anticipate, project, appears, should, could, may,* and similar words. Actual results may differ materially from the results suggested by these statements for a number of reasons, including those set forth in the section entitled *Risk Factors* in the accompanying prospectus.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This is only a summary and does not contain all of the information you should consider before investing in our common stock. You should read this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein, especially the risks of investing in our common stock discussed under Risk Factors in the accompanying prospectus, our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our consolidated financial statements and notes to those consolidated financial statements incorporated by reference herein, before making an investment decision.

Our Business

We are a multinational producer of premium specialty papers headquartered in the United States of America and are the world's largest supplier of fine papers to the tobacco industry with an estimated market share of 25% globally, or 36% of the world market excluding largely self-sufficient China. We are also the sole independent global supplier of reconstituted tobacco leaf, or RTL, used in producing tobacco products. Our primary products include cigarette paper, plug wrap paper and base tipping paper, or Cigarette Papers, used to wrap various parts of a cigarette, RTL, which is used as a blend with virgin tobacco in cigarettes, and reconstituted tobacco wrappers and binders for use in machine-made cigars. Among our Cigarette Papers, we offer lower ignition propensity, or LIP, cigarette papers that enable the design of cigarettes that self-extinguish when not actively being smoked.

We conduct our business in over 90 countries and sell our products directly to the major global tobacco companies or to their designated converters in the Americas, Europe, Asia and elsewhere. Our customer base includes the world's major tobacco companies including Phillip Morris International, Phillip Morris USA, British American Tobacco, Japan Tobacco and Imperial Tobacco Group PLC. We have long-standing relationships with the majority of our top customers, many of which have been customers for multiple decades. We currently operate 10 production facilities worldwide including mills in the United States, Canada, France, Brazil, the Philippines, Indonesia and China. In addition, we recently announced our intention to construct a new, wholly owned RTL production facility in the Philippines as well as a new RTL production facility in China through a joint venture.

Products

We manufacture and sell paper and reconstituted tobacco products to the tobacco industry as well as specialized paper products for use in other commercial and industrial applications. Tobacco industry products comprised more than 90% of our consolidated net sales in each of the years 2006 through 2008.

Each of the three principal types of Cigarette Papers—cigarette paper, plug wrap paper and base tipping paper—serves a distinct purpose in the function of a cigarette.

Cigarette paper wraps the column of tobacco in a cigarette. Certain properties of cigarette paper, such as control of ignition propensity, basis weight, porosity, opacity, tensile strength, texture and burn rate must be controlled to tight manufacturing tolerances. Many of the characteristics of our Cigarette Papers are critical to meeting the requirements of high-speed production processes utilized by cigarette manufacturers as well as providing the desired attributes of finished cigarettes such as reduced tobacco-related smoke constituents like tar. In addition to the attributes and functional requirements of conventional cigarette papers, certain of our products facilitate our customers' design of LIP cigarettes to enhance cigarette safety when they are not actively being smoked. The use of LIP paper in producing

cigarettes will be required by legislation in the majority of the United States as well as Australia and Finland by the first half of

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2010, and we expect additional nations worldwide, including all of the European Union, will impose similar regulations over the next several years. We believe we produce the leading commercially viable LIP products available globally through our patented technologies and unique production capabilities and as such have experienced significant demand for our Alginex® LIP cigarette paper as individual states and countries mandate LIP standards.

Plug wrap paper forms the outer layer of a cigarette filter and is used to hold the filter materials in a cylindrical form. Conventional plug wrap is manufactured on flat wire paper machines using wood pulp. Porous plug wrap, a highly air permeable paper, is manufactured on inclined wire paper machines using a furnish consisting of long-fibers, such as abaca, and wood pulp. Porosity, a measure of air flow permeability, ranges from a typical level of less than 100 Coresta on conventional plug wrap to 35,000 Coresta on high porosity papers. High porosity plug wrap is sold under the registered trademark POROWRAP® and is used on filter-ventilated cigarettes.

Tipping paper, produced in white or tan/cork color, joins the filter element to the tobacco-filled column of the cigarette. The ability to produce tipping paper, which is both printable and glueable at high speeds, is critical to producing a cigarette with a distinctive finished appearance. Base tipping paper is the semi-finished paper product typically produced in roll size that is used by converters to produce rolls of finished tipping paper.

Reconstituted tobacco is used by manufacturers of cigarettes and other tobacco products as a means of recycling their tobacco by-products and to achieve desirable product performance attributes in the production of cigarettes and cigars. We currently produce reconstituted tobacco in two forms, leaf, or RTL, in France, and wrapper and binder in the United States. RTL is used by cigarette manufacturers primarily to blend with virgin tobacco as a design aid to achieve certain attributes of finished cigarettes, such as taste characteristics and reduced deliveries of tobacco-related smoke constituents, and to cost-effectively utilize tobacco leaf waste by-products. Wrapper and binder are reconstituted tobacco products used by manufacturers of machine-made cigars. Binder is used to hold the tobacco leaves in a cylindrical shape during the production process. Wrapper is used to cover the outside of the cigar, providing a uniform, finished appearance. We have been producing RTL since the 1950 s and are the world s largest and sole independent producer of RTL products.

Our commercial and industrial products, which on average have comprised less than 10% of our sales over the last three years, include lightweight printing and writing papers, battery separator paper, drinking straw wrap, filter papers and other specialized papers primarily for the western European and Brazilian markets. Like porous plug wrap, certain of these non-tobacco industry products use a fiber blend consisting of long-fibers. These products are generally sold directly to converters and other end-users in North America and western Europe and through brokers in Brazil. Our non-tobacco industry papers comprise a diverse product mix that includes low volume, high-value engineered papers as well as commodity paper grades produced to maximize utilization of our paper machines.

Restructuring Activities

We initiated a series of restructuring activities beginning in 2006 in France, the United States and Brazil following an in-depth review by management of our global manufacturing operations. These initiatives have driven a broader effort to efficiently meet global demand for our products while optimizing our paper production capacity utilization. These initiatives also have served to improve our profitability in the near term, and we expect that they will continue to enhance our financial performance in the long term. Our restructuring activities have resulted in substantial reduction in capacity of traditional tobacco papers through the closure or substantial restructuring of five of our underutilized higher cost mills. As a result of our restructuring efforts and selling price increases, we achieved profitability in our traditional tobacco paper businesses in 2009, while realigning our manufacturing capacity with customer demands.

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Our Industry

Worldwide cigarette consumption is estimated at 6.1 trillion units, and we estimate it is growing at a rate of approximately 0.5% to 1.0% annually. Over the past decade, demand has shifted from western nations to the east (predominantly Asia). As a result, producers of tobacco products have been reducing capacity in developed countries and shifting manufacturing efforts toward higher growth regions in Asia. As the world's largest manufacturer and supplier of paper products to the tobacco industry, we estimate that we maintain an approximate 36% market share globally (excluding China) and among our major competitors we have the largest installed production capacity in Asia, which will increase as a result of our planned RTL expansion projects.

Proposed RTL Production Expansion

In order to meet a growing global demand for RTL and to diversify our existing production base in France to meet customer security of supply needs, we recently announced that we intend to expand our RTL production capacity into Asia through the construction of both a wholly owned facility in the Philippines and a joint venture facility in China, each focused on RTL production. In the Philippines, this stand alone, single-machine facility, separate from our current cigarette paper mill, will be located near Manila and is expected to have approximately 30,000 metric tons of capacity when completed. We expect operations to commence in late 2011. We already have entered into a seven-year supply agreement with one of our current customers and are in advanced supply discussions with another multinational cigarette manufacturer that, if an agreement is reached, would use approximately 50% of the new facility's total capacity. In addition to building this facility in the Philippines, we intend to enter into a joint venture to build a similar production facility in China for which we have recently secured a key approval of the Chinese government's National Development and Reform Commission. Although we do not yet have final government approval with respect to the China facility and still have commercial elements to finalize with the proposed joint venture participants, we presently expect both aspects of this project to be completed during 2010. We currently anticipate that the total cost of funding the construction and working capital needs of the new RTL production facility in the Philippines will be approximately \$117 million and that our equity contribution for the planned joint venture in China will be approximately \$25 million. We intend to use the proceeds from this offering primarily to fund the construction and working capital needs of the Philippines facility and to fund the investment in the China joint venture. See Use of Proceeds.

Markets and Customers

Our U.S. segment primarily supplies the major, and many of the smaller, cigarette manufacturers in North America, and also has significant sales in South America. The customer base for the U.S. operations consists of more than 160 customers in approximately 40 countries. Our French segment relies predominantly on worldwide exports, primarily to western and eastern Europe, Asia (in part through our Philippine and Indonesian manufacturing facilities) and, in lesser but substantial amounts, to Africa, the Middle East and Australia. The customer base for our French segment consists of a diverse group of approximately 200 customers in more than 70 countries. Our Brazilian segment primarily supplies customers in Latin and South American countries with expanding sales to North America and other export locations. The current customer base of the Brazilian segment consists of the cigarette manufacturers in Brazil, as well as approximately 50 customers in approximately 20 countries outside Brazil. Customers of all three business segments include international tobacco companies, regional tobacco product manufacturers and government monopolies.

Essentially all tobacco-related products manufactured by the U.S., French and Brazilian segments are sold by our marketing, sales and customer service organizations directly to cigarette manufacturers or their designated converters. Most of our U.S. and French segments' non-tobacco related products, which represent approximately 5% to 7% of each of their respective net sales, are

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sold on a direct basis. The Brazilian segment's non-tobacco related products comprise approximately 7% of its net sales, substantially all of which are sold through agents.

Research and Development

As of December 31, 2008, we owned 137 patents and had pending 65 patent applications covering a variety of Cigarette Papers, RTL and processes in the United States, western Europe and several other countries. We believe that such patents, together with our papermaking expertise and technical sales support, have been instrumental in establishing us as the leading worldwide supplier of Cigarette Papers, RTL and reconstituted cigar wrapper and binder made by the papermaking process. Patents have played a central role in establishing us as the world's leading independent producer of papers used for LIP cigarettes. We employ approximately 50 research personnel in research and laboratory facilities in Spay and Quimperle, France; Santanésia, Brazil; San Pedro, Philippines; and Alpharetta, Georgia. We are dedicated to developing Cigarette Papers, reconstituted tobacco and non-tobacco paper product innovations and improvements to meet the evolving needs of our customers. The development of new components for tobacco products is the primary focus of these research and development functions, including several development projects for our major customers.

Our commitment to research and development has enabled us, for example, to (i) produce high-performance papers designed to run on the high-speed manufacturing machines of our customers, (ii) produce papers to exacting specifications with very high uniformity, (iii) produce cigarette paper with extremely low basis weights, (iv) develop cigarette papers for LIP cigarettes, (v) produce highly porous cigarette and plug wrap papers, (vi) produce cigar wrapper and binder reconstituted tobacco products, in a paper process, matching the specifications of machine-made cigars and (vii) produce papers and reconstituted tobacco products with other specifically engineered properties required for end-product performance attributes. We believe we are in the forefront of the specialty paper manufacturing process, having invested heavily in modern technology, including on-line banding and off-line printing capabilities for LIP cigarette papers and modern paper-slitting equipment. We believe that our commitment to research and development, coupled with our investment in new technology and equipment, has positioned us to take advantage of growth opportunities all around the world.

Table of Contents**Summary Selected Financial Data**

The following summary selected financial data for the nine months ended September 30, 2009 and 2008 has been derived from our unaudited financial statements and related notes, incorporated by reference in this prospectus supplement and the accompanying prospectus. The summary selected financial data for the years ended December 31, 2006 through December 31, 2008 has been derived from our audited financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. The information set forth below is qualified in its entirety by reference to, and therefore should be read together with the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in Exhibit 99.1 to our Current Report on Form 8-K filed on September 17, 2009 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, the financial statements and related notes and other financial information incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Nine Months Ended September 30,		Year Ended December 31,		
	2009	2008	2008	2007	2006
	(unaudited)				
	(dollars in millions, except per share amounts)				

Results of Operations

Net sales	\$ 551.9	\$ 591.0	\$ 767.9	\$ 714.8	\$ 655.2
Cost of products sold	414.0	514.3	664.7	606.7	571.1
Gross profit	137.9	76.7	103.2	108.1	84.1
Nonmanufacturing expenses	56.1	49.0	64.2	66.2	57.7
Restructuring & impairment expenses	40.5	8.3	22.1	24.0	21.1
Operating profit	41.3	19.4	16.9	17.9	5.3
Net income	24.9	7.7	0.9	11.4	3.3
Net income attributable to noncontrolling interest		0.2	0.2	8.0	4.1
Net income (loss) attributable to the Company	24.9	7.5	0.7	3.4	(0.8)
Net income (loss) per share:					
Basic	\$ 1.62	\$ 0.48	\$ 0.04	\$ 0.22	\$ (0.05)
Diluted	\$ 1.59	\$ 0.48	\$ 0.04	\$ 0.22	\$ (0.05)
Cash dividends declared and paid per share	\$ 0.45	\$ 0.45	\$ 0.60	\$ 0.60	\$ 0.60

Other Non-GAAP Financial Data

Adjusted operating profit ⁽¹⁾	81.8	27.7	39.0	41.9	26.4
Adjusted net income per diluted share ⁽¹⁾	\$ 3.29	\$ 0.83	\$ 0.97	\$ 1.20	\$ 0.83
Adjusted EBITDA ⁽¹⁾	\$ 108.5	\$ 55.8	\$ 73.2	\$ 75.0	\$ 58.0

Percent of Net Sales

Gross profit	25.0%	13.0%	13.4%	15.1%	12.8%
Nonmanufacturing expenses	10.2%	8.3%	8.4%	9.3%	8.8%

Financial Position

Capital spending	\$ 7.7	\$ 30.0	\$ 35.3	\$ 47.7	\$ 9.6
Depreciation	27.7	31.2	41.0	39.9	40.7
Total Assets	747.6	765.4	728.7	775.0	697.1
Total Debt	133.5	169.4	179.8	100.9	97.3

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(1) Adjusted operating profit, adjusted net income per share and adjusted EBITDA are non-GAAP financial measures that exclude restructuring and impairment charges incurred in the United States, France and Brazil. We believe that an investor's understanding of our financial performance is enhanced by disclosing financial measurements without restructuring expenses and related impairment charges as a reasonable basis for comparison of our ongoing results of operations. A reconciliation of adjusted operating profit, adjusted net income per share and adjusted EBITDA to their respective comparable GAAP financial measures follows (dollars in millions, except per share amounts):

	Nine Months Ended September 30,		Year Ended December 31,		
	2009	2008	2008	2007	2006
	(unaudited)				
Reconciliation of adjusted operating profit to operating profit:					
Operating profit	\$ 41.3	\$ 19.4	\$ 16.9	\$ 17.9	\$ 5.3
Plus: restructuring and impairment expense	40.5	8.3	22.1	24.0	21.1
Adjusted operating profit	\$ 81.8	\$ 27.7	\$ 39.0	\$ 41.9	\$ 26.4
Reconciliation of adjusted net income (loss) per share to net income (loss) per share:					
Diluted net income (loss) per share	\$ 1.59	\$ 0.48	\$ 0.04	\$ 0.22	\$ (0.05)
Plus: restructuring and impairment expense per share	1.70	0.35	0.93	0.98	0.88
Adjusted net income per diluted share	\$ 3.29	\$ 0.83	\$ 0.97	\$ 1.20	\$ 0.83
Reconciliation of adjusted EBITDA to net income (loss) attributable to the Company:					
Net income (loss) attributable to the Company	\$ 24.9	\$ 7.5	\$ 0.7	\$ 3.4	\$ (0.8)
Plus: interest expense	4.1	8.3	10.5	5.9	5.5
Plus: tax provision (benefit)	10.6		(1.9)	0.5	(4.2)
Plus depreciation and amortization	32.7	36.1	47.4	39.2	38.2
Less: amortization of deferred revenue	(4.3)	(4.6)	(5.8)	(6.0)	(5.9)
Plus: noncontrolling interest in earnings of subsidiaries		0.2	0.2	8.0	4.1
Plus: restructuring and impairment expense	40.5	8.3	22.1	24.0	21.1
Adjusted EBITDA	\$ 108.5	\$ 55.8	\$ 73.2	\$ 75.0	\$ 58.0

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THE OFFERING

Common stock offered by us	1,800,000 shares of common stock
Common stock to be outstanding after this offering(1)	17,425,393 shares of common stock
Underwriters' option to purchase additional shares from us	270,000 shares of common stock
Use of proceeds	We estimate that the net proceeds from the sale of our common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$102.0 million (or approximately \$117.3 million if the underwriters exercise their option to purchase additional shares in full). We intend to use the net proceeds from the offering for general corporate purposes, including funding of the construction and working capital needs of a new production facility in the Philippines and funding of the Company's equity contribution for a planned joint venture in China. Pending such uses, we intend to use a portion of the net proceeds to reduce outstanding indebtedness under our revolving credit facilities and will invest the remaining net proceeds in interest-bearing money market, time deposit or investment grade securities.
NYSE listing symbol	SWM

(1) The number of shares of common stock that will be outstanding after this offering is based on the number of shares outstanding at September 30, 2009.

Unless we specifically state otherwise, the information in this prospectus supplement:

does not take into account the sale of up to 270,000 shares of common stock that the underwriters have the option to purchase from us; and

excludes 439,617 shares of common stock issuable upon exercise of outstanding options and 36,073 shares issuable upon redemption of stock units under the director's deferred compensation plan, which units can be redeemed in the form of cash or common stock at the director's election, and performance based share awards that represent long-term incentive compensation earned under our restricted stock plan.

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USE OF PROCEEDS

We estimate the net proceeds from the sale of common stock in this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$102.0 million (or approximately \$117.3 million if the underwriters exercise their option to purchase additional shares in full). We intend to use the net proceeds from the sale of our common stock in this offering for general corporate purposes, including funding the construction and working capital needs of a new RTL production facility in the Philippines that is expected to have 30,000 metric tons of capacity and funding the Company's equity contribution for a planned joint venture in China. Pending such use, we intend to use approximately \$26.6 million of the net proceeds to reduce outst