

CORN PRODUCTS INTERNATIONAL INC

Form 10-Q/A

March 12, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q/A

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

COMMISSION FILE NUMBER 1-13397

CORN PRODUCTS INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

22-3514823

(I.R.S. Employer Identification Number)

**5 WESTBROOK CORPORATE CENTER
WESTCHESTER, ILLINOIS**

(Address of principal executive offices)

60154

(Zip Code)

(708) 551-2600

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

CLASS
Common Stock, \$.01 par value

OUTSTANDING AT OCTOBER 31, 2003
36,100,477 shares

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Explanatory Note

Corn Products International, Inc. (the Registrant or the Company) is filing this Amendment No. 1 on Form 10-Q/ A (Amendment No. 1) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, which was originally filed on November 12, 2003 (the Original Form 10-Q Filing), to amend and restate certain information contained in Item I and Item II of Part I. This change reflects the Registrant s restatement of its condensed consolidated balance sheets as of September 30, 2003 and December 31, 2002, and condensed consolidated statement of stockholders equity for the nine month period ended September 30, 2003, to reclassify redeemable common stock issued in connection with the purchase of the minority interest of the Registrant s now wholly-owned subsidiary in Mexico from permanent stockholder s equity to temporary (redeemable) equity.

This reclassification does not affect the Company s previously reported operating results or cash flows for any period.

The Registrant s management determined that it was necessary to reclassify the redeemable common stock issued from permanent stockholder s equity (additional paid-in-capital) to temporary (redeemable) equity because, under the terms of the related purchase and sale agreement, the Company granted the holder of the Company s shares of common stock issued in connection with this transaction the right to require the Company to repurchase those shares from the holder for cash. As of September 30, 2003 there were 1,913,500 shares of the Company s common stock subject to repurchase under the terms of this agreement. Refer to Notes 2 and 8 of Notes to Condensed Consolidated Financial Statements for additional information. The Registrant s management recently determined that existing accounting literature requires that shares of common stock subject to repurchase for cash under the terms of an embedded put option should be displayed as temporary equity at an amount equal to that which the Company would be required to pay to redeem the shares at the reporting date.

This Amendment No. 1 amends in its entirety the Original Form 10-Q Filing. This Amendment No. 1 continues to speak as of the date of the Original Form 10-Q Filing, and the Registrant has not updated the disclosure contained herein to reflect any events that occurred at a later date.

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CFO Section 1350 Certification

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FINANCIAL STATEMENTS****CORN PRODUCTS INTERNATIONAL, INC.
Condensed Consolidated Statements of Income
(Unaudited)**

(In millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales before shipping and handling costs	\$ 582.7	\$ 507.4	\$ 1,684.1	\$ 1,480.0
Less: shipping and handling costs	42.0	27.3	124.6	81.8
Net sales	540.7	480.1	1,559.5	1,398.2
Cost of sales	457.0	410.1	1,328.0	1,198.0
Gross profit	83.7	70.0	231.5	200.2
Operating expenses	37.6	32.4	108.2	102.2
Earnings from non-consolidated affiliates and other income (expense), net	(1.2)	2.8	(0.5)	13.9
Operating income	44.9	40.4	122.8	111.9
Financing costs	10.1	9.3	29.2	25.6
Income before income taxes and minority interest	34.8	31.1	93.6	86.3
Provision for income taxes	12.5	11.2	33.7	31.1
Minority interest in earnings	2.3	2.8	8.0	8.3
Net income	\$ 20.0	\$ 17.1	\$ 51.9	\$ 46.9
Weighted average common shares outstanding:				
Basic	36.0	35.6	35.9	35.6
Diluted	36.3	35.7	36.1	35.7
Earnings per common share:				
Basic	\$ 0.55	\$ 0.48	\$ 1.44	\$ 1.31
Diluted	\$ 0.55	\$ 0.48	\$ 1.44	\$ 1.31

See Notes To Condensed Consolidated Financial Statements

Table of Contents**PART I FINANCIAL INFORMATION****ITEM I
FINANCIAL STATEMENTS****CORN PRODUCTS INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets**

(In millions, except share and per share amounts)	September 30, 2003*	December 31, 2002
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 61	\$ 36
Accounts receivable net	254	244
Inventories	194	194
Prepaid expenses	12	11
Total current assets	521	485
Property, plant and equipment net	1,170	1,154
Goodwill and other intangible assets	325	280
Deferred tax assets	33	33
Investments	28	26
Other assets	37	37
Total assets	\$ 2,114	\$ 2,015
Liabilities and stockholders equity		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 131	\$ 84
Accounts payable and accrued liabilities	247	263
Total current liabilities	378	347
Non-current liabilities	65	68
Long-term debt	478	516
Deferred income taxes	179	163
Minority interest in subsidiaries	76	93
Redeemable common stock (1,913,500 shares issued and outstanding at September 30, 2003 and December 31, 2002) stated at redemption price	62	58
Stockholders equity		
Preferred stock authorized 25,000,000 shares-\$0.01 par value none issued		
Common stock authorized 200,000,000 shares-\$0.01 par value 35,746,387 shares issued at September 30, 2003 and December 31, 2002	1	1
Additional paid-in capital	1,011	1,015
Less: Treasury stock (common stock; 1,595,389 and 1,956,113 shares at September 30, 2003 and December 31, 2002, respectively) at cost	(38)	(48)
Deferred compensation restricted stock	(3)	(4)
Accumulated other comprehensive loss	(360)	(418)
Retained earnings	265	224
Total stockholders equity	876	770

Total liabilities and stockholders equity	\$ 2,114	\$ 2,015
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* As restated

See Notes To Condensed Consolidated Financial Statements

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FINANCIAL STATEMENTS****CORN PRODUCTS INTERNATIONAL, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)**

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income	\$ 20	\$ 17	\$ 52	\$ 47
Comprehensive income/(loss):				
Unrealized gains (losses) on cash flow hedges, net of income tax effect of \$2, \$0, \$2 and \$2, respectively	(4)	1	(5)	5
Reclassification adjustment for (gains) losses on cash flow hedges included in net income, net of income tax effect of \$2, \$1, \$5 and \$10, respectively	4	1	10	17
Currency translation adjustment	(1)	(37)	53	(116)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Comprehensive income (loss)	\$ 19	(\$ 18)	\$ 110	(\$ 47)
	<u>■</u>	<u>■</u>	<u>■</u>	<u>■</u>

**CORN PRODUCTS INTERNATIONAL, INC.
Condensed Consolidated Statement of Stockholders' Equity and Redeemable Equity
(Unaudited)****STOCKHOLDERS' EQUITY**

(in millions)	Common	Additional	Treasury	Deferred	Accumulated	Retained	Redeemable
	Stock	Paid-In	Stock	Compensation	Other	Earnings	Common
	Stock	Capital	Stock	Compensation	Income (Loss)	Earnings	Stock
Balance, December 31, 2002	\$ 1	\$1,015	\$(48)	\$ (4)	\$ (418)	\$224	\$ 58
Net income for the period						52	
Dividends declared						(11)	
Unrealized losses on cash flow hedges, net of income tax effect of \$2					(5)		
Amount of losses on cash flow hedges					10		

reclassified to earnings, net of income tax effect of \$5							
Issuance of common stock in connection with acquisition			8				
Issuance of common stock on exercise of stock options			2				
Amortization to compensation expense of restricted common stock				1			
Change in fair value of redeemable common stock		(4)					4
Currency translation adjustment					53		
	—	—	—	—	—	—	—
Balance, September 30, 2003, as restated	\$ 1	\$1,011	\$(38)	\$ (3)	\$ (360)	\$265	\$ 62

See Notes to Condensed Consolidated Financial Statements.

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FINANCIAL STATEMENTS****CORN PRODUCTS INTERNATIONAL, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)**

(In millions)	Nine Months Ended September 30,	
	2003	2002
Cash provided by (used for) operating activities:		
Net income	\$ 52	\$ 47
Non-cash charges (credits) to net income:		
Depreciation	76	79
Minority interest in earnings	8	8
Earnings from non-consolidated affiliates		(5)
Gain on sale of business		(8)
Changes in working capital, net of effect of disposal:		
Accounts receivable and prepaid items	5	18
Inventories	8	11
Accounts payable and accrued liabilities	(16)	15
Other	(1)	(1)
	<u>132</u>	<u>164</u>
Cash provided by (used for) investing activities:		
Capital expenditures, net of proceeds on disposal	(46)	(51)
Proceeds from sale of business		35
Payments for acquisitions	(48)	(42)
	<u>(94)</u>	<u>(58)</u>
Cash provided by (used for) financing activities:		
Proceeds from borrowings	19	208
Payments on debt	(19)	(309)
Dividends paid	(16)	(15)
Issuance of common stock	2	3
	<u>(14)</u>	<u>(113)</u>
Effect of foreign exchange rate changes on cash	1	(4)
	<u>25</u>	<u>(11)</u>
Increase (decrease) in cash and cash equivalents	25	(11)
Cash and cash equivalents, beginning of period	36	65
	<u>\$ 61</u>	<u>\$ 54</u>
Cash and cash equivalents, end of period	\$ 61	\$ 54

See Notes To Condensed Consolidated Financial Statements

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CORN PRODUCTS INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements

1. Interim Financial Statements

References to the Company are to Corn Products International, Inc. and its consolidated subsidiaries. These statements should be read in conjunction with the consolidated financial statements and the related notes to those statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

The unaudited condensed consolidated interim financial statements included herein were prepared by management and reflect all adjustments (consisting solely of normal recurring items) which are, in the opinion of management, necessary to present a fair statement of results of operations and cash flows for the interim periods ended September 30, 2003 and 2002, and the financial position of the Company as of September 30, 2003. The results for the interim periods are not necessarily indicative of the results expected for the full years.

2. Restatement

The Company has restated its Condensed Consolidated Balance Sheets as of September 30, 2003 and December 31, 2002, and its Condensed Consolidated Statement of Stockholders' Equity for the nine-month period ended September 30, 2003, to reclassify redeemable common stock issued in connection with the purchases of the minority interest in the Company's now wholly-owned subsidiary in Mexico from additional paid-in capital within permanent stockholders' equity to temporary (redeemable) equity. Refer to Note 8 of Notes to Condensed Consolidated Financial Statements for additional information.

The following table sets forth balances as originally reported in the Condensed Consolidated Balance Sheets and as restated (dollars in millions):

	<u>September 30, 2003</u>		<u>December 31, 2002</u>	
	<u>As Reported</u>	<u>As Restated</u>	<u>As Reported</u>	<u>As Restated</u>
Redeemable common stock	\$	\$ 62	\$	\$ 58
Additional paid-in capital	\$1,073	\$1,011	\$1,073	\$1,015

3. Acquisitions

On March 27, 2003, the Company increased its ownership in its Southern Cone of South America businesses to 100 percent by purchasing an additional 27.76 percent ownership interest from the minority interest shareholders. The Company paid \$53 million to acquire the additional ownership interest, consisting of \$45 million in cash and the issuance of 271 thousand shares of common stock valued at \$8 million. Goodwill of approximately \$37 million was recorded.

Table of Contents**4. Stock-based Compensation**

The Company accounts for stock compensation using the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. Employee compensation cost related to restricted stock grants is recognized ratably over the vesting period.

Amounts charged to compensation expense for amortization of restricted stock for the three months ended September 30, 2003 and 2002 were \$0.3 million and \$0.3 million, respectively, and \$1.0 million and \$0.8 million for the nine months ended September 30, 2003 and 2002, respectively. However, no employee compensation cost related to common stock options is reflected in net income, as each option granted under the Company's plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per common share assuming the Company had applied the fair value based recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, to all awards of common stock options for the three and nine months ended September 30, 2003 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
(in millions, except per share amounts)				
Net income, as reported	\$ 20.0	\$ 17.1	\$ 51.9	