

MINERALS TECHNOLOGIES INC
Form 10-Q
October 23, 2015

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 September 27, 2015

or

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

Commission File Number 1-11430

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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.)

622 Third Avenue, New York, NY 10017-6707
(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 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 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.

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Large Accelerated Filer 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

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 October 13, 2015
Common Stock, \$0.10 par value	34,749,294



MINERALS TECHNOLOGIES INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
	(in millions, except per share data)			
Product sales	\$410.1	\$458.1	\$1,218.8	\$1,075.0
Service revenue	40.9	85.4	148.8	134.0
Total net sales	451.0	543.5	1,367.6	1,209.0
Cost of goods sold	302.4	337.8	895.8	812.0
Cost of service revenue	29.7	60.7	110.2	94.0
Total cost of sales	332.1	398.5	1,006.0	906.0
Production margin	118.9	145.0	361.6	303.0
Marketing and administrative expenses	47.9	59.7	139.6	127.4
Research and development expenses	6.2	6.6	17.8	18.0
Amortization expense of intangible assets acquired	2.0	1.9	5.8	2.9
Acquisition related transaction and integration costs	2.4	4.2	8.5	16.7
Restructuring and other charges	10.5	5.8	27.3	11.8
Income from operations	49.9	66.8	162.6	126.2
Interest expense, net	(14.5)	(16.0)	(45.5)	(25.2)
Extinguishment of debt costs and fees	-	-	(4.5)	(5.8)
Other non-operating income (deductions), net	2.8	0.9	5.7	0.5
Total non-operating deductions, net	(11.7)	(15.1)	(44.3)	(30.5)
Income from continuing operations before provision for taxes and equity in earnings	38.2	51.7	118.3	95.7
Provision for taxes on income	8.4	14.4	25.8	24.8
Equity in earnings of affiliates, net of tax	0.5	0.3	1.4	0.6
Income from continuing operations, net of tax	30.3	37.6	93.9	71.5
Income from discontinued operations, net of tax	-	0.2	-	2.0
Consolidated net income	30.3	37.8	93.9	73.5
Less:				
Net income attributable to non-controlling interests	1.1	0.8	2.9	2.4
Net income attributable to Minerals Technologies Inc. (MTI)	\$29.2	\$37.0	\$91.0	\$71.1
Earnings per share:				

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Basic:				
Income from continuing operations attributable to MTI	\$0.84	\$1.07	\$2.62	\$2.00
Income from discontinued operations attributable to MTI	-	-	-	0.06
Basic earnings per share attributable to MTI	\$0.84	\$1.07	\$2.62	\$2.06
Diluted:				
Income from continuing operations attributable to MTI	\$0.83	\$1.06	\$2.60	\$1.99
Income from discontinued operations attributable to MTI	-	-	-	0.06
Diluted earnings per share attributable to MTI	\$0.83	\$1.06	\$2.60	\$2.05
Cash dividends declared per common share	\$0.05	\$0.05	\$0.15	\$0.15
Shares used in computation of earnings per share:				
Basic	34.7	34.5	34.7	34.5
Diluted	35.0	34.8	35.0	34.8

See accompanying Notes to Condensed Consolidated Financial Statements.

IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
	(millions of dollars)			
Consolidated net income	\$30.3	\$37.8	\$93.9	\$73.5
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(35.8)	(27.7)	(66.1)	(22.0)
Pension and postretirement plan adjustments	1.6	0.8	4.6	2.5
Total other comprehensive income, net of tax	(34.2)	(26.9)	(61.5)	(19.5)
Total comprehensive income including non-controlling interests	(3.9)	10.9	32.4	54.0
Comprehensive income attributable to non-controlling interest	(0.2)	(0.7)	(1.9)	(1.9)
Comprehensive income attributable to MTI	\$(4.1)	\$10.2	\$30.5	\$52.1

See accompanying Notes to Condensed Consolidated Financial Statements.

IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Sept. 27, 2015 *	December 31, 2014**
(millions of dollars)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$224.9	\$ 249.6
Short-term investments, at cost which approximates market	2.9	0.8
Accounts receivable, net	385.7	412.6
Inventories	203.6	211.8
Prepaid expenses and other current assets	60.9	49.8
Total current assets	878.0	924.6
Property, plant and equipment, less accumulated depreciation and depletion – Sept. 27, 2015 - \$1,015.6; December 31, 2014 - \$992.1	1,125.7	1,182.1
Goodwill	789.2	770.9
Intangible assets	214.7	212.1
Other assets and deferred charges	140.9	137.0
Total assets	\$3,148.5	\$ 3,226.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$6.2	\$ 5.6
Current maturities of long-term debt	2.2	0.3
Accounts payable	176.3	170.4
Other current liabilities	181.7	176.6
Total current liabilities	366.4	352.9
Long-term debt, net of unamortized discount	1,325.6	1,455.5
Deferred income taxes	310.4	314.5
Other non-current liabilities	221.4	214.9
Total liabilities	2,223.8	2,337.8
Shareholders' equity:		
Common stock	4.8	4.8
Additional paid-in capital	382.7	373.0
Retained earnings	1,277.4	1,191.8
Accumulated other comprehensive loss	(173.3)	(112.9)
Less common stock held in treasury	(593.7)	(593.7)
Total MTI shareholders' equity	897.9	863.0
Non-controlling interest	26.8	25.9
Total shareholders' equity	924.7	888.9
Total liabilities and shareholders' equity	\$3,148.5	\$ 3,226.7

* Unaudited

** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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IndexMINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended Sept. 27, Sept. 28, 2015 2014 (millions of dollars)	
Operating Activities:		
Consolidated net income	\$93.9	\$73.5
Income from discontinued operations	-	2.0
Income from continuing operations	93.9	71.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	77.3	59.8
Impairment of assets	21.1	-
Other non-cash items	8.2	12.5
Net changes in operating assets and liabilities	(5.8)	50.5
Net cash provided by continuing operations	194.7	194.3
Net cash used in discontinued operations	-	(3.5)
Net cash provided by operating activities	194.7	190.8
Investing Activities:		
Purchases of property, plant and equipment	(70.5)	(62.4)
Acquisition of business, net of cash acquired	-	(1,802.3)
Proceeds from sale of assets	4.9	8.7
Proceeds from sale of short-term investments	0.6	-
Purchases of short-term investments	(4.7)	(1.8)
Net cash used in investing activities	(69.7)	(1,857.8)
Financing Activities:		
Proceeds from issuance of long-term debt	10.2	1,545.3
Debt issuance and settlement costs	-	(38.2)
Repayment of long-term debt	(140.4)	(113.2)
Net issuance (repayment) of short-term debt	1.0	(0.8)
Proceeds from issuance of stock under option plan	1.3	2.8
Excess tax benefits related to stock incentive programs	0.3	0.5
Purchase of non-controlling interest share	-	(2.1)
Dividends paid to non-controlling interest	(0.9)	(3.3)
Cash dividends paid	(5.2)	(5.2)
Net cash provided by (used in) financing activities	(133.7)	1,385.8
Effect of exchange rate changes on cash and cash equivalents	(16.0)	(6.4)
Net decrease in cash and cash equivalents	(24.7)	(287.6)

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Cash and cash equivalents at beginning of period	249.6	490.3
Cash and cash equivalents at end of period	\$224.9	\$202.7
Supplemental disclosure of cash flow information:		
Interest paid	\$45.9	\$18.6
Income taxes paid	\$29.9	\$17.0

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by management of Minerals Technologies Inc. (the "Company", "MTI", "we" or "us") 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, 2014. 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 nine-month periods ended September 27, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Company Operations

The Company is a resource- and technology-based company that develops, produces and markets worldwide a broad range of specialty mineral, mineral-based and synthetic mineral products and supporting systems and services. On May 9, 2014, the Company acquired AMCOL International Corporation ("AMCOL"). See Note 2 to the Condensed Consolidated Financial Statements. The prior year condensed consolidated statements of income include operational results of the acquired AMCOL business from May 9, 2014 through September 28, 2014.

The Company has 5 reportable segments: Specialty Minerals, Refractories, Performance Materials, Construction Technologies, and Energy Services.

- The Specialty Minerals segment produces and sells the synthetic mineral product precipitated calcium carbonate ("PCC") and processed mineral product quicklime ("lime"), and mines mineral ores then processes and sells natural mineral products, primarily limestone and talc.

-The Refractories segment produces and markets monolithic and shaped refractory materials and specialty products, services and application and measurement equipment, and calcium metal and metallurgical wire products.

-The Performance Materials segment is a leading supplier of bentonite and bentonite-related products. This segment also supplies chromite and leonardite and operates more than 25 mining or production facilities worldwide.

-The Construction Technologies segment provides products for non-residential construction, environmental and infrastructure projects worldwide. It serves customers engaged in a broad range of construction projects, including site remediation, concrete waterproofing for underground structures, liquid containment on projects ranging from landfills to flood control, and drilling applications including foundation, slurry wall, tunneling, water well, and horizontal drilling.

-The Energy Services segment provides services to improve the production, costs, compliance, and environmental impact of activities performed in oil and gas industry. This segment offers a range of patented and unpatented technologies, products and services for all phases of oil and gas production, refining, and storage throughout the world.

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, valuation of accounts receivable, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, valuation of product liability and asset retirement obligation, income tax, income tax valuation allowances, and litigation and environmental liabilities. Actual results could differ from those estimates.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 2. Business Combination

On May 9, 2014, pursuant to the Merger Agreement dated March 10, 2014, the Company acquired AMCOL, based in Hoffman Estates, Illinois, a leading international producer of specialty materials and related products and services for industrial and consumer markets. The Company and AMCOL are both world-renowned innovators in mineralogy, fine particle technology and polymer chemistry. This transaction brings together the global leaders in precipitated calcium carbonate and bentonite, creating an even more robust US-based international minerals supplier. The Company's management believes that the acquisition of AMCOL will provide substantial synergies through enhanced operational cost efficiencies.

The Company acquired AMCOL by completing a tender offer to purchase AMCOL's outstanding shares of common stock and the subsequent merger of AMCOL with and into a wholly-owned subsidiary of MTI. At the expiration of the Company's tender offer, each tendered share of AMCOL common stock was purchased for consideration equal to \$45.75 in cash, and at the effective time of the back-end merger, each share of AMCOL common stock not tendered (other than shares owned by the Company or held by AMCOL in treasury) was converted into the right to receive consideration equal to \$45.75 in cash. Upon completion of the merger, AMCOL became a wholly owned direct subsidiary of MTI. Through the tender offer and the merger, the Company paid \$1,519.4 million in cash to acquire all of the outstanding shares of AMCOL.

In connection with the acquisition of AMCOL, the Company entered into a \$1,560.0 million senior secured term loan facility (the "Term Facility"), the net proceeds of which, together with the Company's cash on hand, were used as cash consideration for the acquisition of AMCOL and to refinance certain existing indebtedness of the Company and AMCOL and to pay fees and expenses in connection with the foregoing. See Note 9 to the Condensed Consolidated Financial Statements.

The fair value of the total consideration transferred, net of cash acquired, was \$1,802.3 million and comprised of the following:

	(millions of dollars)
Cash consideration transferred to AMCOL shareholders	\$1,519.4
AMCOL notes repaid at close	325.6
Total consideration transferred to debt and equity holders	1,845.0
Cash acquired	42.7
Total consideration transferred to debt and equity holders, net of cash acquired	\$1,802.3

The acquisition of AMCOL has been accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. As of May 9, 2015, the Company has completed its assessment of property, certain reserves (including environmental, legal, and tax matters), obligations and deferred taxes, as well as our review of AMCOL's existing accounting policies. The purchase price allocation has been finalized.

The following table summarizes the final amounts recognized for assets acquired and liabilities assumed as of the acquisition date, as well as adjustments made in 2015 to the amounts initially recorded in 2014 (measurement period adjustments). The measurement period adjustments did not have a significant impact on our consolidated statements

of income, balance sheets or cash flows in any period and therefore, we have not retrospectively adjusted our financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Preliminary Allocation Previously Reported on Form 10-K as of December 2014	Increase/ Decrease	Final Allocation
	(millions of dollars)	(millions of dollars)	(millions of dollars)
Accounts receivable	\$ 235.7	\$ -	\$ 235.7
Inventories	157.3	-	157.3
Other current assets	65.0	-	65.0
Mineral rights	535.5	-	535.5
Plant, property and equipment	371.2	-	371.2
Goodwill	708.1	12.8	720.9
Intangible assets	214.3	8.8	223.1
Other non-current assets	51.4	9.2	60.6
Total assets acquired	\$ 2,338.5	\$ 30.8	\$ 2,369.3
Accounts payable	66.4	-	66.4
Accrued expenses	61.6	-	61.6
Non-current deferred tax liability	322.3	1.5	323.8
Other non-current liabilities	85.9	29.3	115.2
Total liabilities assumed	\$ 536.2	\$ 30.8	\$ 567.0
Net assets acquired	\$ 1,802.3	\$ -	\$ 1,802.3

The Company used the income, market, or cost approach (or a combination thereof) for the valuation, and used valuation inputs and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to the Company in the principal or most advantageous market for the asset or liability. For certain items, the carrying value was determined to be a reasonable approximation of fair value based on the information available. The Company's estimates related to this valuation are considered to be critical accounting estimates because they are susceptible to change from period to period based on our judgments about a variety of factors and due to the uncontrollable variability of market factors underlying them. For example, in performing assessments of the fair value of these assets, the Company makes judgments about the future performance business of the acquired business, economic, regulatory, and political conditions affecting the net assets acquired, appropriate risk-related rates for discounting estimated future cash flows, reasonable estimates of disposal values, and market royalty rate.

Goodwill was calculated as the excess of the consideration transferred over the assets acquired and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill is primarily attributable to fair value of expected synergies from combining the MTI and AMCOL businesses and will be allocated to the Performance Materials and Construction Technologies segments. Goodwill recognized as a result of this acquisition is not deductible for tax purposes.

In connection with the acquisition, the Company recorded an additional deferred tax liability of \$323.8 million with a corresponding increase to goodwill. The increase in deferred tax liability represents the tax effect of the difference between the estimated assigned fair value of the tangible and intangible assets and the tax basis of such assets.

Mineral rights were valued using discounted cash flow method, a Level 3 fair value input. Plant, property and equipment were valued using the cost method adjusted for age and deterioration, also a Level 3 fair value input.

Intangible assets acquired mainly included technology and trade names. Technology was valued using relief-from royalty method, a Level 3 fair value input, with a weighted average amortization period of 12 years. Trade names were valued using multi-period excess earnings, also a Level 3 fair value input, with a weighted average amortization period of 34 years.

The Company incurred \$2.4 million and \$8.5 million of acquisition and integration related costs during the three and nine months ended September 27, 2015, respectively, and incurred \$4.2 million and \$16.7 million of acquisition-related costs during the three and nine months ended September 28, 2014, respectively. These costs are reflected within the Acquisition related transaction and integration costs line of the Condensed Consolidated Statements of Income.

The accompanying Condensed Consolidated Statements of Income include the results of operations of the acquired AMCOL businesses for the nine months ended September 28, 2014 commencing as of May 9, 2014. The nine months ended September 28, 2014 include net sales of \$451.7 million and operating income of \$48.1 million generated by the acquired AMCOL businesses during the 143 days post-acquisition period.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the unaudited summary of the Company's Condensed Consolidated Statements of Income for the nine months ended September 27, 2015 and the unaudited pro forma summary of the Company's Condensed Consolidated Statements of Income for the nine months ended September 28, 2014, which includes AMCOL's Statement of Operations for the respective periods, as if the acquisition and related financing occurred on January 1, 2014. The following unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction occurred on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, potential synergies, and cost savings from operating efficiencies.

	Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014 Pro Forma
	(millions of dollars)	
Net sales	\$1,367.6	\$1,582.6
Income from continuing operations before provision for taxes and equity in earnings	118.3	125.9
Income from continuing operations, net of tax	93.9	85.6

The income from continuing operations before provision for taxes and equity in earnings for the nine months ended September 27, 2015, in the table above, includes restructuring and impairment charges of \$27.3 million, extinguishment of debt costs of \$4.5 million and acquisition related transaction and integration costs of \$8.5 million. For the pro forma prior year period, restructuring and impairment, acquisition related transaction and integrations costs and debt extinguishment costs were excluded from income from continuing operations before provision for taxes and equity in earnings.

The income from continuing operations, net of tax, in the table above, is calculated using a tax rate of 28% for all pro forma periods. The unaudited pro forma financial information presented in the table include certain adjustments that are factually supportable, directly related to business combination, and expected to have a continuing impact. These adjustments include, but are not limited to, depreciation, depletion, and amortization expense based upon the preliminary fair value step-up of depreciable fixed assets and amortizable intangibles assets, interest expense on acquisition related debt, acquisition-related transaction and integration costs, and restructuring charges.

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 potentially dilutive common shares outstanding.

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

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

	Three Months Ended		Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
	(in millions, except per share data)			
Basic EPS				
Amounts attributable to MTI				
Income from continuing operations	\$29.2	\$36.8	\$91.0	\$69.1
Income from discontinued operations	-	0.2	-	2.0
Net income	\$29.2	\$37.0	\$91.0	\$71.1
Weighted average shares outstanding	34.7	34.5	34.7	34.5
Earnings per share attributable to MTI				
Continuing operations	\$0.84	\$1.07	\$2.62	\$2.00
Discontinued operations	-	-	-	0.06
Net income	\$0.84	\$1.07	\$2.62	\$2.06
Diluted EPS				
Amounts attributable to MTI				
Income from continuing operations	\$29.2	\$36.8	\$91.0	\$69.1
Income from discontinued operations	-	0.2	-	2.0
Net income	\$29.2	\$37.0	\$91.0	\$71.1
Weighted average shares outstanding	34.7	34.5	34.7	34.5
Dilutive effect of stock options and stock units	0.3	0.3	0.3	0.3
Weighted average shares outstanding, adjusted	35.0	34.8	35.0	34.8
Earnings per share attributable to MTI				
Continuing operations	\$0.83	\$1.06	\$2.60	\$1.99
Discontinued operations	-	-	-	0.06
Net income	\$0.83	\$1.06	\$2.60	\$2.05

Options to purchase 395,545 shares and 173,068 shares of common stock for the three-month and nine-month periods ended September 27, 2015 and September 28, 2014, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of the common shares.

Note 4. Restructuring Charges

During 2014, the Company announced a restructuring program that will result in a 10% permanent reduction of its workforce. The reductions include elimination of duplicate corporate functions, deployment of our shared service model, and consolidation and alignment of various corporate functions and regional locations across the Company.

At September 27, 2015, we had \$7.0 million included within accrued liabilities within our Condensed Consolidated Balance Sheets for cash expenditures needed to satisfy remaining obligations under these workforce reduction initiatives. The Company expects to pay these amounts by the end of March 2016.

The following table is a reconciliation of our restructuring liability balance as of September 27, 2015:

	(millions of dollars)
Restructuring liability, December 31, 2014	\$ 14.6
Additional provisions	6.2
Cash payments	(10.9)
Other adjustments	(2.9)
Restructuring liability, Sept. 27, 2015	\$ 7.0

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table outlines the amount of restructuring charges recorded within the Consolidated Statements of Income.

	Three		Nine Months	
	Months		Months	
	Ended	Ended	Ended	Ended
	Sept.	Sept.	Sept.	Sept.
(millions of dollars)	27,	28,	27,	28,
	2015	2014	2015	2014
Restructuring Charges	\$5.2	\$5.8	\$6.2	\$11.8
Impairment of Assets	5.3	-	21.1	-
Total restructuring and other charges	\$10.5	\$5.8	\$27.3	\$11.8

During the third quarter and first nine months of 2015, the Company incurred impairment charges of \$5.3 million and \$21.1 million, respectively, for underutilized equipment which was abandoned by the Company for its Coiled Tubing business, within the Energy Services segment. During the third quarter and first nine months of 2015, the Company recorded restructuring charges of \$5.2 million and \$6.2 million, respectively, for lease termination costs, reduction in force, and inventory write-offs associated with exiting the Coiled Tubing service line and restructuring other on-shore service lines within the Energy Services segment.

Note 5. Discontinued Operations

During the second quarter of 2013, the Company ceased its operations at its Paper PCC merchant plant in Walsum, Germany and reclassified such operations as discontinued. These operations were part of the Company's Specialty Minerals segment.

During the nine months ended September 28, 2014, the Company reversed a facility closure accrual of \$1.8 million, net of \$0.6 million tax expense, resulting from the settlement of a contractual obligation.

Note 6. Income Taxes

As of September 27, 2015, the Company had approximately \$6.2 million of total unrecognized income tax benefits. Included in this amount were a total of \$3.7 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, the Company does 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 is to recognize interest and penalties accrued relating to unrecognized income tax benefits as part of its provision for income taxes. The Company had a net increase of approximately \$0.1 million and \$0.4 million during the three and nine months ended September 27, 2015, respectively, and had an accrued balance of \$1.7 million of interest and penalties as of September 27, 2015.

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 income tax examinations by tax authorities for years

prior to 2007.

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Note 7. Inventories

The following is a summary of inventories by major category:

	Sept. 27, 2015	December 31, 2014
	(millions of dollars)	
Raw materials	\$79.3	\$ 85.9
Work-in-process	5.7	6.7
Finished goods	88.3	88.7
Packaging and supplies	30.3	30.5
Total inventories	\$203.6	\$ 211.8

Note 8. Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives are not amortized, but instead are assessed for impairment, at least annually. The carrying amount of goodwill was \$789.2 million, and \$770.9 million as of September 27, 2015 and December 31, 2014, respectively. The net change in goodwill since December 31, 2014 was attributable to the finalization of the accounting related to the acquisition of AMCOL and to the effects of foreign exchange.

Acquired intangible assets subject to amortization as of September 27, 2015 and December 31, 2014 were as follows:

	Weighted Average Useful Life (Years)	September 27, 2015		December 31, 2014	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
		(millions of dollars)			
Tradenames	34	\$199.8	\$ 8.0	\$191.2	\$ 3.7
Technology	12	18.8	2.2	18.7	1.0
Patents and trademarks	17	6.4	4.3	6.4	4.0
Customer relationships	30	4.5	0.5	4.4	0.1
Customer lists	<u>15</u>	2.9	2.8	2.9	2.7
	28	\$232.4	\$ 17.8	\$223.6	\$ 11.5

During the nine month period ended September 27, 2015, intangible assets increased approximately \$8.8 million relating to the finalization of the AMCOL opening balance sheet. The weighted average amortization period for acquired intangible assets subject to amortization is approximately 28 years. Estimated amortization expense is \$8.2 million for 2015–2016, \$8.0 million for 2017, \$7.8 million for 2018-2020 and \$184.6 million thereafter.

Note 9. Long-Term Debt and Commitments

The following is a summary of long-term debt:

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	Sept. 27, 2015	December 31, 2014
	(millions of dollars)	
Term Loan Facility, net of unamortized discount of \$12.2 million due May 9, 2021	\$1,315.8	\$ 1,454.0
China Loan Facilities	12.0	1.8
Total	\$1,327.8	\$ 1,455.8
Less: Current maturities	2.2	0.3
Long-term debt	\$1,325.6	\$ 1,455.5

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On May 9, 2014, in connection with the acquisition of AMCOL, the Company entered into a credit agreement providing for the \$1,560 million Term Facility and a \$200 million senior secured revolving credit facility (the “Revolving Facility” and, together with the Term Facility, the “Facilities”).

On June 23, 2015, the Company entered into an amendment to the credit agreement to reprice the \$1.378 billion then outstanding on the Term Facility. As amended, the Term Facility has a \$1,078 million floating rate tranche and a \$300 million fixed rate tranche. The maturity date for loans under the Term Facility was not changed by the amendment. The loans outstanding under the Term Facility will mature on May 9, 2021 and the loans outstanding (if any) and commitments under the Revolving Facility will mature and terminate, as the case may be, on May 9, 2019. After the amendment, loans under the variable rate tranche of the Term Facility bear interest at a rate equal to an adjusted LIBOR rate (subject to a floor of 0.75%) plus an applicable margin equal to 3.00% per annum. Loans under the fixed rate tranche of the Term Facility bear interest at a rate of 4.75%. Loans under the Revolving Facility will bear interest at a rate equal to an adjusted LIBOR rate plus an applicable margin equal to 1.75% per annum. Such rates are subject to decrease by up to 25 basis points in the event that, and for so long as, the Company’s net leverage ratio (as defined in the credit agreement) is less than certain thresholds. The variable rate tranche of the Term Facility was issued at par and has a 1% required amortization per year. The fixed rate tranche of the Term Facility was issued at a 0.25% discount. The Company will pay certain fees under the credit agreement, including customary annual administration fees. The loans under the fixed rate tranche of the Term Facility are subject to prepayment premiums in the event of certain prepayments prior to the third anniversary of the effective date of the amendment. The obligations of the Company under the Facilities are unconditionally guaranteed jointly and severally by, subject to certain exceptions, all material domestic subsidiaries of the Company (the “Guarantors”) and secured, subject to certain exceptions, by a security interest in substantially all of the assets of the Company and the Guarantors.

The credit agreement contains certain customary affirmative and negative covenants that limit or restrict the ability of the Company and its restricted subsidiaries to enter into certain transactions or take certain actions. In addition, the credit agreement contains a financial covenant that requires the Company, if on the last day of any fiscal quarter loans or letters of credit were outstanding under the Revolving Facility (excluding up to \$15 million of letters of credit), to maintain a maximum net leverage ratio (as defined in the credit agreement) of, initially, 5.25 to 1.00 for the four fiscal quarter period preceding such day. Such maximum net leverage ratio requirement is subject to decrease during the duration of the facility to a minimum level (when applicable) of 3.50 to 1.00. As of September 27, 2015, there were no loans and \$9.3 million in letters of credit outstanding under the Revolving Facility. The Company is in compliance with all the covenants associated with this Revolving Facility as of the end of the period covered by this report.

During 2014, the Company entered into three committed loan facilities for the funding of new manufacturing facilities in China. The loan facilities were for a combined 73.8 million RMB and \$1.8 million. During the third quarter of 2015, the Company entered into an additional committed loan facility for the funding of these facilities. The loan facility is for 27.8 million RMB. As of September 27, 2015, the Company has borrowed, on a combined basis, \$13.3 million on these facilities, of which \$12.1 is outstanding. Principal will be repaid in accordance with the payment schedules beginning in 2015 and ending in 2019.

During the first nine months of 2015, the Company repaid \$140.2 million on its Term Loan facility.

As of September 27, 2015, the Company had \$35.4 million in uncommitted short-term bank credit lines, of which approximately \$6.2 million was in use.

Note 10. Benefit Plans

The Company and its subsidiaries have pension plans covering the majority of eligible employees on a contributory or non-contributory basis. The Company also provides postretirement health care and life insurance benefits for the majority of its U.S. retired employees. Disclosures for the U.S. plans have been combined with those outside of the U.S. as the international plans do not have significantly different assumptions, and together represent less than 25% of our total benefit obligation.

In May 2014, as a part of its acquisition of AMCOL businesses, the Company assumed AMCOL's qualified defined benefit pension plan and supplementary pension plan (SERP). The defined benefit pension plan covered substantially all of AMCOL's domestic employees hired before January 1, 2004. The SERP plan provides benefit in excess of qualified plan limitation for certain employees. For more information on the AMCOL acquisition, see Note 2 to the Condensed Consolidated Financial Statements.

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Components of Net Periodic Benefit Cost

	Pension Benefits			
	Three			
	Months		Nine Months	
	Ended		Ended	
	Sept.	Sept.	Sept.	Sept.
	27,	28,	27,	28,
	2015	2014	2015	2014
	(millions of dollars)			
Service cost	\$2.8	\$2.1	\$8.1	\$6.5
Interest cost	3.7	4.0	11.6	10.8
Expected return on plan assets	(4.9)	(5.0)	(14.9)	(14.2)
Amortization:				
Prior service cost	0.1	0.3	0.6	0.9
Recognized net actuarial loss	3.2	1.9	8.9	5.4
Net periodic benefit cost	\$4.9	\$3.3	\$14.3	\$9.4

	Other Benefits			
	Three			
	Months		Nine Months	
	Ended		Ended	
	Sept.	Sept.	Sept.	Sept.
	27,	28,	27,	28,
	2015	2014	2015	2014
	(millions of dollars)			
Service cost	\$0.1	\$-	\$0.3	\$0.3
Interest cost	0.1	0.1	0.3	0.3
Amortization:				
Prior service cost	(0.7)	(0.8)	(2.3)	(2.3)
Recognized net actuarial (gain)/loss	(0.1)	(0.1)	(0.1)	(0.2)
Net periodic benefit cost	\$(0.6)	\$(0.8)	\$(1.8)	\$(1.9)

Amortization amounts of prior service costs and recognized net actuarial losses are recorded, net of tax, as increases to accumulated other comprehensive income.

Employer Contributions

The Company expects to contribute approximately \$9.0 million to its pension plans and \$1.0 million to its other postretirement benefit plans in 2015. As of September 27, 2015, \$7.2 million has been contributed to the pension plans and approximately \$0.3 million has been contributed to the other postretirement benefit plans.

Note 11. Comprehensive Income

The following table summarizes the amounts reclassified out of accumulated other comprehensive income (loss) attributable to the Company:

