MINERALS TECHNOLOGIES INC
Form 10-Q
November 02, 2006

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 October 1, 2006

or

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

Commission File Number 1-3295

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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.)

405 Lexington Avenue, New York, New York 10174-0002

(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 __X__ **NO** ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X]	Accelerated filer [ ]	Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ______ **NO __X__**

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 25, 2006
	19,153,134
Common Stock, $0.10 par value	

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	
(in thousands, except per share data)	October 1, 2006	October 2, 2005	October 1, 2006	October 2, 2005
Net sales	$ 265,324	$ 246,830	$ 797,850	$ 742,380
Operating costs and expenses:				

Cost of goods sold	207,442	195,767	630,153	582,091
Marketing and administrative expenses	25,780	24,544	80,694	74,425
Research and development expenses	7,656	7,380	22,736	21,856
Income from operations	24,446	19,139	64,267	64,008
Non-operating deductions, net	2,282	1,229	3,143	3,706
Income before provision for taxes on income and minority interests	22,164	17,910	61,124	60,302
Provision for taxes on income	7,083	5,165	18,887	18,392
Minority interests	1,016	501	2,790	1,294
Net income	$ 14,065	$ 12,244	$ 39,447	$ 40,616
Earnings per share:				
Basic earnings per share	$ 0.72	$ 0.61	$ 2.00	$ 1.99
Diluted earnings per share	$ 0.72	0.60	$ 1.98	$ 1.96
Cash dividends declared per common share	$ 0.05	$ 0.05	$ 0.15	$ 0.15
Shares used in computation of earnings per share:				
Basic	19,517	20,211	19,767	20,439
Diluted	19,598	20,420	19,892	20,683

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(thousands of dollars)	October 1, 2006*	December 31, 2005**
Current assets:		
Cash and cash equivalents	$ 94,684	$ 51,100
Short-term investments, at cost which approximates market	7,569	2,350
Accounts receivables, net	201,832	184,272
Inventories	118,339	118,895
Prepaid expenses and other current assets	18,111	20,583
Total current assets	440,535	377,200
Property, plant and equipment, less accumulated depreciation and depletion - October 1, 2006 - $815,975; December 31, 2005 - $751,553	636,422	628,745
Goodwill	54,649	53,612
Prepaid benefit costs	70,354	67,795
Other assets and deferred charges	29,151	28,951
Total assets	$ 1,231,111	$ 1,156,303
Current liabilities:		
Short-term debt	$ 160,222	$ 62,847
Current maturities of long-term debt	2,534	53,698
Accounts payable	57,872	61,323
Other current liabilities	67,299	53,384
Total current liabilities	287,927	231,252
Long-term debt	38,651	40,306
Other non-current liabilities	117,771	113,583
Total liabilities	444,349	385,141
Shareholders' equity:		
Common stock	2,807	2,800
Additional paid-in capital	266,666	261,159
Deferred compensation	--	(3,263)
Retained earnings	857,960	828,591
Accumulated other comprehensive income (loss)	14,490	(5,879)
	1,141,923	1,083,408
Less treasury stock	(355,161)	(312,246)
Total shareholders' equity	786,762	771,162

	$ 1,231,111	$ 1,156,303

* Unaudited
** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

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MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended	
(thousands of dollars)	October 1, 2006	October 2, 2005
Operating Activities:		
Net income	$ 39,447	40,616
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	60,975	55,327
Tax benefits related to stock incentive programs	388	--
Other non-cash items	7,397	3,817
Net changes in operating activities	(6,013)	(44,702)
Net cash provided by operating activities	102,194	55,058
Investing Activities:		
Purchases of property, plant and equipment	(68,207)	(82,294)
Proceeds from sale of short-term investments	3,010	7,200
Purchases of short-term investments	(8,090)	--
Proceeds from settlement of insurance claim	2,398	--
Other	472	77
Net cash used in investing activities	(70,417)	(75,017)
Financing Activities:		
Net proceeds from issuance of short-term debt	97,581	30,145
Repayment of long-term debt	(52,946)	(2,981)
Purchase of common shares for treasury	(40,358)	(39,593)
Proceeds from issuance of stock under option plan	2,408	8,625
Excess tax benefits related to stock incentive programs	145	--

Cash dividends paid	(2,958)	(3,067)
Indemnification proceeds from former parent company	4,500	--
Net cash provided by (used in) financing activities	8,372	(6,871)
Effect of exchange rate changes on cash and cash equivalents	3,435	(7,245)
Net increase (decrease) in cash and cash equivalents	43,584	(34,075)
Cash and cash equivalents at beginning of period	51,100	105,767
Cash and cash equivalents at end of period	$ 94,684	71,692
Supplemental disclosure of cash flow information:		
Interest paid	$ 8,243	$ 6,147
Income taxes paid	$ 16,707	$ 17,391
Non-cash Financing Activities:		
Tax liability on indemnification proceeds from former parent company	$ 1,782	--
Treasury stock purchases settled after period end	$ 2,557	--

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management 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, 2005. 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 October 1, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

Note 2. Summary of Significant Accounting Policies

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, allowance for doubtful accounts, valuation of inventories, valuation of long-lived assets, goodwill and other intangible assets, pension plan assumptions, income tax, valuation allowances, and litigation and environmental liabilities. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant improvements are capitalized, while maintenance and repair expenditures are charged to operations as incurred. The Company capitalizes interest cost as a component of construction in progress. In general, the straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 3% - 6.67% for buildings, 6.67% - 12.5% for machinery and equipment, 8% - 12.5% for furniture and fixtures and 12.5% - 25% for computer equipment and software-related assets. The estimated useful lives of precipitated calcium carbonate ("PCC") production facilities and machinery and equipment pertaining to its natural stone mining and processing plants and its chemical plants are 15 years.

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. The Company's sales of PCC are predominantly pursuant to long-term evergreen contracts, initially ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. As of October 1, 2006, the Company continues to supply PCC at one location at which the PCC supply contract has expired. Failure of a PCC customer to renew an agreement or continue to purchase PCC from a Company facility could result in an impairment of assets charge or accelerated depreciation at such facility.

On March 21, 2006, the Company ceased operation of a one-unit satellite PCC facility in Park Falls, Wisconsin, after the paper company shut down its mill and filed for bankruptcy protection. The Company recorded a provision for bad debt of approximately $1.0 million in the first quarter of 2006 in connection with this bankruptcy. The paper mill has since been sold to Flambeau River Papers, LLC and the Company resumed production from its satellite PCC facility in the third quarter.

In April 2006, the Company ceased operation of a one-unit satellite PCC facility in Hadera, Israel.
