

TREDEGAR CORP
Form 10-Q
August 04, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from _____ to _____

Commission file number 1-10258

Tredegar Corporation

(Exact Name of Registrant as Specified in Its Charter)

Virginia

54-1497771

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1100 Boulders Parkway
Richmond, Virginia

23225

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (804) 330-1000

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 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 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

The number of shares of Common Stock, no par value, outstanding as of July 26, 2006: 38,791,497.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Tredegear Corporation
Consolidated Balance Sheets
(In Thousands)
(Unaudited)

	June 30, 2006	Dec. 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,425	\$ 23,434
Accounts and notes receivable, net of allowance for doubtful accounts and sales returns of \$5,435 in 2006 and \$5,423 in 2005	157,042	119,330
Income taxes recoverable	8,508	7,163
Inventories	61,373	62,438
Deferred income taxes	7,281	7,778
Prepaid expenses and other	2,001	4,224
Total current assets	261,630	224,367
Property, plant and equipment, at cost	662,211	632,717
Less accumulated depreciation	332,448	309,841
Net property, plant and equipment	329,763	322,876
Other assets and deferred charges	96,861	96,527
Goodwill and other intangibles	138,920	137,988
Total assets	\$ 827,174	\$ 781,758
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 93,154	\$ 61,731
Accrued expenses	39,815	36,031
Current portion of long-term debt	3,131	
Total current liabilities	136,100	97,762
Long-term debt	91,030	113,050
Deferred income taxes	84,896	74,287
Other noncurrent liabilities	11,254	11,297
Total liabilities	323,280	296,396
Commitments and contingencies (Notes 1 and 2)		
Shareholders equity:		
Common stock, no par value	111,042	110,706
Common stock held in trust for savings restoration plan	(1,289)	(1,284)
Unearned compensation on restricted stock		(966)
Unrealized gain on available-for-sale securities		23
Foreign currency translation adjustment	18,681	14,114
(Loss) gain on derivative financial instruments	(899)	776

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Minimum pension liability	(2,434)	(2,434)
Retained earnings	378,793	364,427
	<u> </u>	<u> </u>
Total shareholders' equity	503,894	485,362
	<u> </u>	<u> </u>
Total liabilities and shareholders' equity	\$ 827,174	\$ 781,758
	<u> </u>	<u> </u>

See accompanying notes to financial statements.

Tredegar Corporation
Consolidated Statements of Income
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Revenues and other items:				
Sales	\$ 282,491	\$ 243,724	\$ 550,455	\$ 476,481
Other income (expense), net	248	938	260	3,498
	<u>282,739</u>	<u>244,662</u>	<u>550,715</u>	<u>479,979</u>
Costs and expenses:				
Cost of goods sold	239,691	204,077	466,329	402,429
Freight	7,250	6,402	13,724	12,345
Selling, general and administrative	16,183	16,390	32,435	33,454
Research and development	2,249	2,566	4,098	5,366
Amortization of intangibles	38	106	75	212
Interest expense	1,468	1,093	2,900	2,056
Asset impairments and costs associated with exit and disposal activities	1,026	10,491	2,718	11,358
	<u>267,905</u>	<u>241,125</u>	<u>522,279</u>	<u>467,220</u>
Income before income taxes	14,834	3,537	28,436	12,759
Income taxes	5,584	1,405	10,971	5,077
	<u>9,250</u>	<u>2,132</u>	<u>17,465</u>	<u>7,682</u>
Net income	\$ 9,250	\$ 2,132	\$ 17,465	\$ 7,682
Earnings per share:				
Basic	\$.24	\$.05	\$.45	\$.20
Diluted	.24	.05	.45	.20
Shares used to compute earnings per share:				
Basic	38,632	38,453	38,617	38,446
Diluted	38,837	38,592	38,751	38,614
Dividends per share	\$.04	\$.04	\$.08	\$.08

See accompanying notes to financial statements.

Tredegar Corporation
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Six Months Ended June 30	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 17,465	\$ 7,682
Adjustments for noncash items:		
Depreciation	21,757	18,453
Amortization of intangibles	75	212
Deferred income taxes	9,708	952
Accrued pension and postretirement benefits	1,683	(1,111)
Gain on sale of assets	(56)	(2,507)
Loss on asset impairments and divestitures	1,150	6,439
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivable	(35,838)	(8,441)
Inventories	2,352	3,459
Income taxes recoverable	(1,345)	
Prepaid expenses and other	2,248	1,747
Accounts payable	30,119	(1,033)
Accrued expenses and income taxes payable	842	268
Other, net	(1,846)	(2,116)
	48,314	24,004
Cash flows from investing activities:		
Capital expenditures	(24,903)	(35,483)
Novalux investment	(400)	
Proceeds from the sale of assets and property disposals	56	3,368
Other, net	(88)	875
	(25,335)	(31,240)
Cash flows from financing activities:		
Dividends paid	(3,104)	(3,095)
Debt principal payments	(22,889)	(29,336)
Borrowings	4,000	39,500
Book overdrafts		5,785
Proceeds from exercise of stock options	663	195
	(21,330)	13,049
Effect of exchange rate changes on cash	342	(1,857)
Increase in cash and cash equivalents	1,991	3,956
Cash and cash equivalents at beginning of period	23,434	22,994
Cash and cash equivalents at end of period	\$ 25,425	\$ 26,950

See accompanying notes to financial statements.

Tredegar Corporation
Consolidated Statement of Shareholders Equity
(In Thousands, Except Per Share Data)
(Unaudited)

**Accumulated Other
Comprehensive Income (Loss)**

	Common Stock	Retained Earnings	Trust for Savings Restora- tion Plan	Unrealized Unearned Restricted Stock Compen- sation	Gain on Available- for-Sale Securities	Foreign Currency Trans- lation	Gain (Loss) on Derivative Financial Instruments	Minimum Pension Liability	Total Share- holders Equity
Balance December 31, 2005	\$ 110,706	\$ 364,427	\$ (1,284)	\$ (966)	\$ 23	\$ 14,114	\$ 776	\$ (2,434)	\$ 485,362
Comprehensive income:									
Net income		17,465							17,465
Other comprehensive income (loss):									
Available-for-sale securities adjustment (net of tax of \$13)									