

MATERIAL SCIENCES CORP  
Form 10-Q  
January 09, 2006  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

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

For the quarterly period ended November 30, 2005

Commission File Number 1-8803

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# MATERIAL SCIENCES CORPORATION

(Exact name of Registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

2200 East Pratt Boulevard

Elk Grove Village, Illinois  
(Address of principal executive offices)

95-2673173  
(IRS employer  
identification number)

60007  
(Zip code)

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Registrant's telephone number, including area code: (847) 439-2210

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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 by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of January 3, 2006, there were 14,682,766 outstanding shares of common stock, \$.02 par value.

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**MATERIAL SCIENCES CORPORATION**

**FORM 10-Q**

**For The Quarter Ended November 30, 2005**

**(In thousands, except per share data)**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

(a) Financial statements of Material Sciences Corporation and Subsidiaries

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**Table of Contents****Condensed Consolidated Statements of Income (Unaudited)**

Material Sciences Corporation and Subsidiaries

	Three Months Ended		Nine Months Ended	
	November 30,		November 30,	
	2005	2004	2005	2004
<b>(In thousands, except per share data)</b>				
Net Sales	\$ 74,836	\$ 66,991	\$ 222,239	\$ 199,386
Cost of Sales	61,741	52,131	181,056	156,508
Gross Profit	13,095	14,860	41,183	42,878
Selling, General and Administrative Expenses	9,357	8,587	27,362	27,203
Restructuring Expenses		439	248	2,650
Income from Operations	3,738	5,834	13,573	13,025
Other (Income) and Expense:				
Interest (Income) Expense, Net	(37)	101	8	806
Equity in Results of Joint Venture	(53)	(49)	(171)	(121)
Loss on Early Retirement of Debt				4,205
Total Other (Income) Expense, Net	(90)	52	(163)	4,890
Income from Continuing Operations Before Provision for Income Taxes	3,828	5,782	13,736	8,135
Provision for Income Taxes	1,548	2,426	5,872	3,763
Income from Continuing Operations	2,280	3,356	7,864	4,372
Discontinued Operations:				
Loss on Discontinued Operations - EMD (Net of Benefit for Income Taxes of \$5, \$549, \$335 and \$1,684, Respectively)	(8)	(848)	(538)	(2,596)
Loss on Sale of Discontinued Operations - EMD (Net of Benefit for Income Taxes of \$0, \$898 and \$0, Respectively)			(1,470)	
Income (Loss) on Discontinued Operations - Pinole Point Steel (Net of Provision (Benefit) for Income Taxes of \$(17), \$(44), \$7 and \$(132), Respectively)	(27)	(70)	13	(205)
Net Income	\$ 2,245	\$ 2,438	\$ 5,869	\$ 1,571
Basic Net Income Per Share:				
Income from Continuing Operations	\$ 0.16	\$ 0.23	\$ 0.54	\$ 0.31
Loss on Discontinued Operations - EMD		(0.06)	(0.04)	(0.19)
Loss on Sale of Discontinued Operations - EMD			(0.10)	
Loss on Discontinued Operations - Pinole Point Steel	(0.01)			(0.01)
Basic Net Income Per Share	\$ 0.15	\$ 0.17	\$ 0.40	\$ 0.11
Diluted Net Income Per Share:				
Income from Continuing Operations	\$ 0.16	\$ 0.23	\$ 0.54	\$ 0.30
Loss on Discontinued Operations - EMD		(0.06)	(0.04)	(0.18)
Loss on Sale of Discontinued Operations - EMD			(0.10)	
Loss on Discontinued Operations - Pinole Point Steel	(0.01)			(0.01)

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Diluted Net Income Per Share	\$ 0.15	\$ 0.17	\$ 0.40	\$ 0.11
Weighted Average Number of Common Shares Outstanding Used for Basic Net Income Per Share	14,672	14,363	14,646	14,281
Dilutive Shares	33	85	33	54
Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares	14,705	14,448	14,679	14,335
Outstanding Common Stock Options Having No Dilutive Effect	77	307	77	307

The accompanying notes are an integral part of these statements.

**Table of Contents****Condensed Consolidated Balance Sheets (Unaudited)**

Material Sciences Corporation and Subsidiaries

<u>(In thousands)</u>	<u>November 30,</u> <u>2005</u>	<u>February 28,</u> <u>2005</u>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 13,228	\$ 1,774
Receivables, Less Reserves of \$6,980 and \$5,945, Respectively	38,472	39,713
Income Taxes Receivable	270	134
Prepaid Expenses	2,148	1,211
Inventories	43,645	41,541
Current Assets of Discontinued Operations - EMD	116	
Deferred Income Taxes	2,784	2,727
	<u>100,663</u>	<u>87,100</u>
<b>Property, Plant and Equipment</b>	<b>228,946</b>	<b>224,388</b>
Accumulated Depreciation and Amortization	(157,572)	(149,828)
	<u>71,374</u>	<u>74,560</u>
<b>Other Assets:</b>		
Investment in Joint Venture	2,088	1,694
Goodwill	1,319	1,319
Deferred Income Taxes	1,982	3,496
Other	667	1,058
	<u>6,056</u>	<u>7,567</u>
<b>Total Assets</b>	<b>\$ 178,093</b>	<b>\$ 169,227</b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 35,314	\$ 25,938
Accrued Payroll Related Expenses	5,830	10,355
Accrued Expenses	4,548	5,753
Current Liabilities of Discontinued Operations - EMD	596	
Current Liabilities of Discontinued Operations - Pinole Point Steel	365	366
	<u>46,653</u>	<u>42,412</u>
<b>Total Current Liabilities</b>	<b>46,653</b>	<b>42,412</b>
<b>Long-Term Liabilities:</b>		
Long-Term Debt, Less Current Portion		1,100
Other	9,072	9,473
	<u>9,072</u>	<u>10,573</u>
<b>Total Long-Term Liabilities</b>	<b>9,072</b>	<b>10,573</b>
<b>Shareowners' Equity:</b>		
Preferred Stock		

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Common Stock	377	377
Additional Paid-In Capital	77,938	77,402
Treasury Stock at Cost	(46,528)	(46,528)
Retained Earnings	88,796	82,927
Accumulated Other Comprehensive Income	1,785	2,064
	<u>          </u>	<u>          </u>
Total Shareowners' Equity	122,368	116,242
	<u>          </u>	<u>          </u>
Total Liabilities and Shareowners' Equity	\$ 178,093	\$ 169,227
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The accompanying notes are an integral part of these statements.

**Table of Contents****Condensed Consolidated Statements of Cash Flows (Unaudited)**

Material Sciences Corporation and Subsidiaries

<b>(In thousands)</b>	<b>Nine Months Ended</b>	
	<b>November 30,</b>	
	<b>2005</b>	<b>2004</b>
Cash Flows From:		
Operating Activities:		
Net Income	\$ 5,869	\$ 1,571
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	8,627	9,040
Provision / (Benefit) for Deferred Income Taxes	2,355	