

ENGELHARD CORP
Form 8-K
February 08, 2005

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 8, 2005

ENGELHARD CORPORATION

(Exact name of registrant as specified in its charter)

| | | |
|----------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------|
| <u>Delaware</u> (State or other jurisdiction of incorporation) | <u>1-8142</u> (Commission File Number) | <u>22-1586002</u> (I.R.S. Employer Identification No.) |
| <u>101 Wood Avenue, Iselin, New Jersey</u> (Address of principal executive offices) | | <u>08830</u> (Zip Code) |

Registrant's telephone number, including area code (732) 205-5000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On February 8, 2005, Engelhard Corporation (the Company) issued a press release announcing its earnings for its fourth quarter of fiscal year 2004. A copy of the release is furnished herewith as Exhibit 99.1.

The information furnished under this Item 2.02, including Exhibit 99.1, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENGELHARD
CORPORATION
(Registrant)

Date: February 8, 2005

/s/ Michael A. Sperduto
Michael A. Sperduto
Vice President and
Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|----------------------------------------------------------------------------------------------------------------------------|
| 99.1 | Press Release, dated February 8, 2005 relating to Engelhard Corporation's earnings release for the fourth quarter of 2004. |

News

Contact

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**Engelhard
Corporation**
101 Wood Avenue
P.O. Box 770
Iselin, NJ
08830-0770

For immediate release

ENGELHARD REPORTS FOURTH-QUARTER RESULTS

ISELIN, NJ, February 8, 2005 - Engelhard Corporation (NYSE: EC) today reported net earnings for the fourth quarter ended December 31 of \$58.1 million, or 47 cents per share, compared with \$63.7 million, or 50 cents per share, for the same period in 2003.

Fourth-quarter results include a previously announced charge of \$6.6 million, mostly non-cash, resulting from the decision to consolidate certain manufacturing operations to improve efficiency at the company's Middle Georgia Operations, which manufacture kaolin-based products. These actions are consistent with the company's ongoing efforts to simplify processing and manage product mix to maximize profitability and growth opportunities. The impact of all special items in the fourth quarter was a net pre-tax charge of \$5.3 million, or three cents per share.

Fourth-quarter sales were \$1.0 billion, about even with the prior year period.

Full-year net earnings were \$235.5 million, or \$1.88 per share, which included both the fourth-quarter net charge of three cents per share and an \$8.0 million, or six cents per share, tax provision benefit resulting from an agreement reached with the Internal Revenue Service with respect to the company's tax returns for 1998 through 2000. Earnings in 2003 were \$234.2 million, or \$1.84 per share, which included \$4.9 million, or four cents per share, of net-positive special items. Sales for the year were \$4.2 billion compared with \$3.7 billion in 2003.

A balanced approach of driving growth and managing the business mix across our enterprise, coupled with an intense focus on productivity, enabled us to deliver another year of solid financial results, said Barry W. Perry, chairman and chief executive officer. We grew earnings, generated strong cash flow and posted solid returns despite continued weakness in certain served markets.

Fourth-Quarter Operating Results

Operating earnings from Environmental Technologies increased 5% to \$34 million, while sales rose 6% to \$219 million. Higher revenues resulted from favorable foreign exchange translation and higher pass-through costs of substrates. The earnings increase resulted from growth in emission-control technologies for certain mobile-source markets and improved productivity, offset by unfavorable volume and mix in light-duty vehicles.

Operating earnings from Process Technologies declined 18% to \$27 million. Sales rose 5% to \$176 million. Continued strong demand for technologies for petroleum refining was more than offset by lower results from chemical process markets.

Operating earnings from Appearance and Performance Technologies increased 19% from \$14 million to \$17 million, excluding the impact of the above-referenced charges of \$6.6 million. Sales rose 9% to \$166 million. Operating results primarily reflected stronger sales of kaolin-based technologies for non-paper applications and continued strength in cosmetics and personal care.

Operating earnings from Materials Services were \$3 million, an increase of about \$2 million versus a year ago. Sales were \$444 million, compared with \$500 million in last year's fourth quarter.

Earnings from equity investments were \$18 million in the fourth quarter, compared with \$12 million a year ago, primarily reflecting benefits resulting from the liquidation of the former Engelhard-CLAL joint venture's assets and solid performance by the company's Asian joint ventures.

Performance Outlook

Our business plan calls for modest growth in net earnings per share in 2005, Mr. Perry said. We expect balanced performance across our technology segments and ongoing productivity initiatives to provide a strong underlying financial base and more than offset expected increases in pension, medical, and costs associated with a new requirement for all companies to expense employee stock options. We expect net earnings per share in the range of \$1.90 to \$2.00 for the full year and believe Engelhard is well-positioned to achieve double-digit earnings growth beyond 2005.

Engelhard Corporation is a surface and materials science company that develops technologies to improve customers products and processes. A *Fortune 500* company, Engelhard is a world-leading provider of technologies for environmental, process, appearance and performance applications. For more information, visit Engelhard on the Internet at www.engelhard.com.

Forward-looking statements: This document contains forward-looking statements in management's comments. There are a number of factors that could cause Engelhard's actual results to vary materially from those projected in the forward-looking statements. For a more thorough discussion of these factors, please refer to page 25 of Engelhard's 2003 Form 10-K, dated March 11, 2004.

ENGELHARD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Thousands, except per-share data)

| | Three Months Ended | | Twelve Months Ended | |
|---------------------------------------------------------------------------------------|---------------------------|--------------|----------------------------|--------------|
| | December 31, | | December 31, | |
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | \$ 1,016,640 | \$ 1,039,323 | \$ 4,166,420 | \$ 3,714,493 |
| Cost of sales | 844,814 | 871,835 | 3,496,606 | 3,080,408 |
| Gross profit | 171,826 | 167,488 | 669,814 | 634,085 |
| Selling, administrative and other expenses | 104,275 | 95,883 | 391,031 | 364,490 |
| Special charge (credit), net | 5,304 | | 5,304 | (11,978) |
| Operating earnings | 62,247 | 71,605 | 273,479 | 281,573 |
| Equity in earnings of affiliates | 18,191 | 11,674 | 37,582 | 39,368 |
| Loss on sale of investment | (663) | | (663) | |
| Interest expense, net | (5,077) | (4,475) | (18,499) | (20,295) |
| Earnings before income taxes | 74,698 | 78,804 | 291,899 | 300,646 |
| Income tax expense | 16,561 | 15,115 | 56,371 | 64,154 |
| Net earnings before cumulative effect of a change in accounting principle, net of tax | 58,137 | 63,689 | 235,528 | 236,492 |
| Cumulative effect of a change in accounting principle, net of tax of \$1,390 | | | | (2,269) |
| Net earnings | \$ 58,137 | \$ 63,689 | \$ 235,528 | \$ 234,223 |
| Earnings per share - basic: | | | | |
| Earnings before cumulative effect of a change in accounting principle | \$ 0.48 | \$ 0.51 | \$ 1.91 | \$ 1.89 |
| Cumulative effect of a change in accounting principle, net of tax | | | | (0.02) |
| Earnings per share - basic | \$ 0.48 | \$ 0.51 | \$ 1.91 | \$ 1.87 |
| Earnings per share - diluted: | | | | |
| Earnings before cumulative effect of a change in accounting principle | \$ 0.47 | \$ 0.50 | \$ 1.88 | \$ 1.86 |
| Cumulative effect of a change in accounting principle, net of tax | | | | (0.02) |
| Earnings per share - diluted | \$ 0.47 | \$ 0.50 | \$ 1.88 | \$ 1.84 |
| Cash dividends paid per share | \$ 0.11 | \$ 0.11 | \$ 0.44 | \$ 0.41 |
| Average number of shares outstanding - basic | 121,877 | 124,643 | 123,155 | 125,359 |
| Average number of shares outstanding - diluted | 124,059 | 127,177 | 125,350 | 127,267 |
| Actual number of shares outstanding at end of period | 122,413 | 124,866 | 122,413 | 124,866 |

Had compensation cost for Engelhard's stock option plans been determined based on the fair value at grant date consistent with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, (assuming SFAS No. 123 was adopted on its effective date of October 1995), Engelhard would have reported net earnings and diluted earnings per share as follows:

| <u>Pro forma information (in thousands, except per-share data)</u> | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--------------------------------------------------------------------|--------------------------------------------|-------------|---------------------------------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net earnings - as reported | \$ 58,137 | \$ | | |