

VALASSIS COMMUNICATIONS INC

Form 10-Q

November 08, 2011

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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 September 30, 2011
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 1-10991

VALASSIS COMMUNICATIONS, INC.

(Exact Name of Registrant as Specified in its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

38-2760940
(IRS Employer Identification Number)

19975 Victor Parkway

Livonia, Michigan 48152

(Address of Principal Executive Offices)

Registrant's Telephone Number: (734) 591-3000

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

As of November 1, 2011, there were 44,754,756 shares of the Registrant's Common Stock outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****VALASSIS COMMUNICATIONS, INC.****Condensed Consolidated Balance Sheets****(U.S. dollars in thousands)****(unaudited)**

	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 91,034	\$ 245,935
Accounts receivable, net (Note 1)	407,286	459,952
Inventories (Note 1)	36,135	41,987
Prepaid expenses and other	63,408	38,657
Total current assets	597,863	786,531
Property, plant and equipment, net (Note 1)	157,000	175,567
Goodwill (Note 2)	636,471	636,471
Other intangible assets, net (Note 2)	224,350	233,817
Other assets	16,764	13,272
Total assets	\$ 1,632,448	\$ 1,845,658
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion long-term debt (Note 3)	\$ 15,000	\$ 7,058
Accounts payable	295,112	329,602
Progress billings	52,608	53,001
Accrued expenses (Note 4)	93,591	99,612
Total current liabilities	456,311	489,273
Long-term debt (Note 3)	591,310	699,169
Deferred income taxes	78,258	78,764
Other non-current liabilities	39,738	49,568
Total liabilities	1,165,617	1,316,774
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock (\$0.01 par value; 25,000,000 shares authorized; no shares issued or outstanding at September 30, 2011 and December 31, 2010)		
Common stock (\$0.01 par value; 100,000,000 shares authorized; 65,389,749 and 65,283,749 shares issued at September 30, 2011 and December 31, 2010, respectively; 45,058,606 and 50,361,749 shares outstanding at September 30, 2011 and December 31, 2010, respectively)		
	654	653
Additional paid-in capital	125,507	124,988
Retained earnings	987,293	908,136
Accumulated other comprehensive income	2,784	3,299

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Treasury stock, at cost (20,331,143 and 14,922,000 shares at September 30, 2011 and December 31, 2010, respectively)	(649,407)	(508,192)
Total stockholders equity	466,831	528,884
Total liabilities and stockholders equity	\$ 1,632,448	\$ 1,845,658

See accompanying notes to condensed consolidated financial statements.

Table of Contents**VALASSIS COMMUNICATIONS, INC.****Condensed Consolidated Statements of Income**

(U.S. dollars in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 528,391	\$ 572,406	\$ 1,640,622	\$ 1,702,358
Costs and expenses:				
Cost of sales	395,728	421,510	1,222,345	1,248,664
Selling, general and administrative	80,520	91,800	239,778	275,421
Amortization expense	3,156	3,156	9,467	9,467
Total costs and expenses	479,404	516,466	1,471,590	1,533,552
Gain from litigation settlement, net (Note 6)				490,085
Earnings from operations	48,987	55,940	169,032	658,891
Other expenses and income:				
Interest expense	8,148	14,091	29,649	52,084
Interest income	(54)	(116)	(315)	(510)
Loss on extinguishment of debt (Note 3)			16,318	23,873
Other income, net	(3,856)	(2,120)	(6,168)	(4,471)
Total other expenses, net	4,238	11,855	39,484	70,976
Earnings before income taxes	44,749	44,085	129,548	587,915
Income tax expense (Note 1)	17,255	17,106	50,391	227,303
Net earnings	\$ 27,494	\$ 26,979	\$ 79,157	\$ 360,612
Net earnings per common share, basic (Note 7)	\$ 0.60	\$ 0.55	\$ 1.65	\$ 7.33
Net earnings per common share, diluted (Note 7)	\$ 0.58	\$ 0.52	\$ 1.58	\$ 6.93
Weighted-average common shares outstanding, basic (Note 7)	45,689	49,138	47,831	49,216
Weighted-average common shares outstanding, diluted (Note 7)	47,766	51,995	50,089	52,033

See accompanying notes to condensed consolidated financial statements.

Table of Contents**VALASSIS COMMUNICATIONS, INC.****Condensed Consolidated Statements of Comprehensive Income****(U.S. dollars in thousands)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net earnings	\$ 27,494	\$ 26,979	\$ 79,157	\$ 360,612
Other comprehensive income, net of tax:				
Unrealized changes in fair value of cash flow hedges and available-for-sale securities	(2,738)	(789)	(3,108)	(3,159)
Realized losses on cash flow hedges reclassified from AOCI into earnings			3,040	
Amortization of realized losses and unrealized changes in fair value of discontinued cash flow hedges		2,659		8,197
Foreign currency translation adjustment	(1,254)	1,221	(447)	(195)
Total other comprehensive income (loss)	(3,992)	3,091	(515)	4,843
Comprehensive income	\$ 23,502	\$ 30,070	\$ 78,642	\$ 365,455

See accompanying notes to condensed consolidated financial statements.

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VALASSIS COMMUNICATIONS, INC.

Condensed Consolidated Statements of Cash Flows

(U.S. dollars in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net earnings	\$ 79,157	\$ 360,612